

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF EVANSVILLE,)
INDIANA, BY ITS WATER AND SEWER)
UTILITY BOARD, FOR AUTHORITY TO)
ISSUE BONDS, NOTES OR OTHER)
OBLIGATIONS, FOR AUTHORITY TO)
INCREASE ITS RATES AND CHARGES FOR)
WATER SERVICE, AND FOR APPROVAL OF)
NEW SCHEDULES OF WATER RATES,)
CHARGES AND RULES AND)
REGULATIONS FOR WATER SERVICE AND)
FOR APPROVAL OF ACCOUNTING AND)
RATEMAKING TREATMENT FOR WATER)
SERVICE TO REFLECT THE IMPACT OF)
ANTICIPATED CAPITAL REQUIREMENTS)

CAUSE NO. 44137

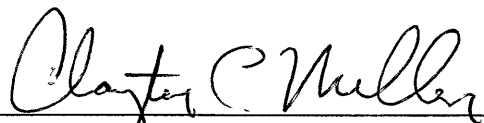
PETITIONER'S CASE-IN-CHIEF

The petitioner, the City of Evansville, Indiana, by and through its Water and Sewer Utility Board submits its case-in-chief, attached, consisting of the direct testimony and exhibits of its Water Superintendent, Roger A. Johnson, and its outside accountant, Douglas L. Baldessari, CPA.

Respectfully submitted,

CITY OF EVANSVILLE
WATER AND SEWER UTILITY

By:



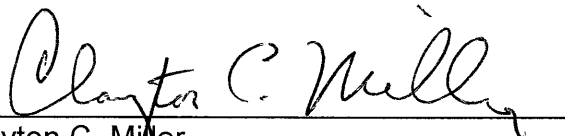
Its attorney

Dated: May 18, 2012

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CERTIFICATE OF SERVICE

The undersigned counsel certifies that a copy of this Petition has been served by U.S. mail, first-class postage prepaid, to the Indiana Office of the Utility Consumer Counselor, 115 West Washington Street, Suite 1500 South, Indianapolis, IN 46204 this 18th day of May, 2012.



Clayton C. Miller

DIRECT TESTIMONY

OF

ROGER A. JOHNSON

1 **Q1. Please state your name, occupation and business address.**

2 A1. My name is Roger Johnson. I am the Water Superintendent for the Evansville
3 Water and Sewer Utility ("EWSU"), which is the petitioner in this cause. My business
4 address is 1931 Allens Lane, Evansville, IN 47720.

5

6 **Q2. Please describe your formal education and summarize your experience and**
7 **current duties for EWSU.**

8 A2. I have a Bachelor of Science degree from Purdue University and a Master of
9 Science degree from the University of Evansville. I had 18 years of water and sewer
10 construction experience as the owner of my own business and as a foreman for a large
11 construction company in the Evansville area prior to my employment in 2007 as the
12 Special Projects Manager for American Water Enterprises in Evansville. As the Special
13 Projects Manager, I was responsible for all of the capital improvement projects for the
14 Evansville Water and Sewer Utility's water department including treatment plant and
15 distribution system improvement projects. On June 1, 2010, when the City resumed the
16 management duties of the Utility, I was hired by the City to be the Water
17 Superintendent. As the Evansville Water Superintendent, I am responsible for the
18 management and operations of the water system including the treatment plant, the

1 distribution system, water storage facilities and booster stations, as well as the meter
2 department. I oversee a staff of 12 management and supervisory personnel who in turn
3 are responsible for 75 union workers. I create budgets, perform administrative duties,
4 and direct work flows to ensure the proper steps are taken to operate and maintain the
5 water system as efficiently as possible while providing the customer with adequate
6 quantities and excellent quality of water.

7
8 **Q3. Please describe EWSU's water utility operations.**

9 A3. EWSU is a full-service water utility, owning and operating a water intake and a
10 treatment plant built in 1897 along the Ohio River, as well as a distribution system
11 having approximately 1,000 miles of miles of water mains (including nearly 600 miles of
12 cast iron mains with an average age of 90 years) through which we provide potable
13 water to more than 60,000 retail customers within the City of Evansville and adjacent
14 areas in Vanderburgh County, Indiana. We also provide water for fire protection,
15 serving more than 6,000 hydrants, and our ten water storage facilities with a storage
16 capacity of nearly 37 million gallons of water. We also sell treated water at wholesale to
17 Gibson Water, Inc., German Township Water District, The Town of Elberfeld, and
18 Indiana American Water in Newburgh.

19
20 **Q4. What is the purpose of your direct testimony in this proceeding?**

21 A4. I am testifying in support of EWSU's petition for authorization to (a) issue bonds,
22 notes or other obligations; (b) increase its rates and charges for water service and issue

1 a new schedule of rates and charges; and (c) reflect in its accounting and ratemaking
2 treatment the impact of anticipated capital requirements.

3 **Q5. Are you sponsoring any exhibits?**

4 A5. Yes. First, my prefiled direct testimony is Petitioner's Exhibit RAJ-1. Second, I'm
5 sponsoring an amended petition reflecting a change in the test year from what was
6 specified in EWSU's original petition initiating this cause on December 29, 2011. That
7 is Petitioner's Exhibit RAJ-2, and I note that while the original petition was verified by
8 EWSU's Interim Director at the time, I have verified the Amended Petition, which will be
9 filed on May 21, 2012. Third, I'm including the minutes from the December 13, 2011
10 meeting of EWSU's Board of Directors authorizing (at page 0167) the initiation of this
11 cause for purposes of seeking authority for a general water rate increase and the
12 issuance of bonds. That is Petitioner's Exhibit RAJ-3. Petitioner's Exhibit RAJ-4 is
13 Resolution 2012-2 adopted on May 15, 2012 authorizing the more specific request for
14 Commission authority to increase water rates in three phases in an aggregate amount
15 of 41.2%. EWSU is sending notice to all of its customers about this rate case, including
16 details about the amount of increase we are seeking, and I'm including a copy of that
17 customer notice as Petitioner's Exhibit RAJ-5. Finally, I have a series of spreadsheets
18 attached as Petitioner's Exhibits RAJ-1A through -1H describing specific capital
19 improvement projects in eight categories, and their anticipated costs, over the next
20 three years. I refer in my testimony to these projects collectively as EWSU's "Project."

21
22 **Q6. Please describe EWSU's Project.**

1 A6. In recent years, EWSU's water rates have not kept pace with its increased
2 expenses. As the utility has balanced its expenditures with its revenues, we have
3 accumulated a list of deferred capital improvement projects. As shown on my exhibits
4 RAJ-1A through -1H, we have identified pressing needs for investment in 44 separate
5 areas, with a total anticipated cost of \$25,579,000, before including financing costs.

6 These 44 projects are spread among the following eight categories:

- 7 • 14 projects at EWSU's water treatment plant, including a \$1.6 million
8 dechlorination facility mandated by the Indiana Department of Environmental
9 Management, with a total estimated cost of \$4,334,000 (Exhibit RAJ-1A);
- 10 • 19 distinct improvements to EWSU's distribution system, including replacement
11 of some 4.4 miles of cast iron water mains, estimated to cost a total of
12 \$6,530,000 (Exhibit RAJ-1B);
- 13 • 5 water tank and booster station improvements, totaling \$785,000 (Ex. RAJ-1C);
- 14 • \$450,000 to dredge silt from the Ohio River accumulating around the mouth of
15 EWSU's intake facility (Ex. RAJ-1D);
- 16 • \$12 million anticipated for water main relocations necessitated by city, county or
17 state road projects (Ex. RAJ-1E);
- 18 • EWSU's fleet of 83 service vehicles, including two dump trucks, is aging, with
19 most having been in service for nine years or more. We need to spend \$1.05
20 million over three years on vehicle replacements, none of which will go to
21 replacing vehicles used by meter readers (Ex. RAJ-1F);

- 1 • EWSU's heavy use of its backhoes will require another \$180,000 for
- 2 replacements over three years (Ex. RAJ-1G); and
- 3 • \$250,000 for a water quality monitoring project (Ex. RAJ-1H).
- 4

5 **Q7. Are each of the costs specified for the various components of EWSU's**
6 **Project precise, final costs?**

7 A7. No. The costs described above and in my exhibits are estimates. We will not
8 know the actual costs until we proceed with final engineering and bidding of each
9 project. I have, however, made a good faith attempt to estimate as accurately as
10 possible based not only on my years of experience in water utility operations and
11 construction but on vendor quotes and specific analysis done by my staff and others.

12
13 **Q8. Does the Project include extensions of EWSU's distribution system to**
14 **provide service to any new customers?**

15 A8. No.

16
17 **Q9. How does EWSU propose to pay for the \$25.58 million Project?**

18 A9. As described in the direct testimony of our accountant in this cause, Doug
19 Baldessari, EWSU proposes to issue, with this Commission's approval, some \$31.25
20 million of waterworks district revenue bonds. The higher figure takes into account
21 various non-construction costs, such as financing costs, a debt service reserve and

capitalized interest as a result of phasing-in our proposed rate increase over three years, which I discuss later in my testimony.

Q10. If EWSU did not need to undertake the Project, would you still require a rate increase?

A10. Yes. Although our need for a rate increase would not be as great if we didn't have to recover the cost of the Project, even without those construction and financing costs we would still need rate relief. That is because our operating expenses have increased and our revenues have declined. Our current rates were set based on a 2006 calendar year test year. Much has happened in the ensuing five years. Not only have we seen significant increases in our costs for chemicals and energy, but our customer count has remained flat while the average amount of water consumed by our customers has actually declined. As a consequence of both leaner economic times generally and technological advances driving greater efficiency in homes and businesses, we're selling less water today. And we anticipate that one effect of the rate relief EWSU is seeking in this proceeding is that some customers will be motivated to pursue additional conservation measures. As demonstrated more specifically and starkly in Mr. Baldessari's testimony and exhibits, increased expenses without commensurate growth in revenues leaves us no choice but to seek rate relief from this Commission.

Q11. How much of a rate increase is EWSU seeking in this proceeding?

1 A11. After working closely with our accountants over the past several months, we
2 have reached two conclusions. First, it is in our customers' interest for EWSU to
3 increase its water rates in three phases instead of all at once. Although this has the
4 effect of delaying all of the rate relief for which we have an immediate need, and is not
5 without cost in terms of additional financing expenses, an incremental approach allows
6 our customers to plan for increases well in advance and make a more orderly transition
7 to higher rates. Second, in order to fund the Project and generate sufficient revenue to
8 maintain our plant and equipment and provide quality water utility service, the aggregate
9 increase we need compared to our current rates, after all three increases have been
10 implemented, is 41.2%.

11
12 **Q12. Please describe the amount and timing of each proposed increase.**

13 A12. We are proposing that the first and largest increase, 19.24%, take effect as soon
14 as administratively feasible upon the issuance by this Commission of an order
15 approving it. That increased rate would last through the 2013 calendar year. The
16 second phase of the rate increase would occur on January 1, 2014, at which point
17 EWSU's water rates would increase by another 9.75% above the rates at the end of
18 2013. Those rates would be in effect for the full 2014 calendar year. Finally, beginning
19 on January 1, 2015, customers' water bills would go up another 7.91%.

20
21 **Q13. What pro forma annual operating revenues are these new rates expected to**
22 **achieve?**

1 A13. Mr. Baldessari and his team calculate that EWSU's revenue requirement for
2 phase I is \$20,778,258, while phases II and III will require adjusted annualized revenues
3 of \$22,803,856 and \$24,606,654, respectively.
4

5 **Q14. As a municipal water utility, EWSU is not assessed taxes on its property.**
6 **Do the new rates you are seeking contemplate EWSU making a payment to the**
7 **City of Evansville in lieu of property taxes?**

8 A14. Yes. The proposed rates include recovery of EWSU's cost to make annual
9 payments in lieu of taxes in the amounts of \$1,078,995 in phase 1, \$1,130,545 in phase
10 II, and \$1,394,473 in phase III.
11

12 **Q15. Have you reviewed Mr. Baldessari's testimony and exhibits in this cause?**

13 A15. Yes.
14

15 **Q16. Do you agree with his opinions and recommendations as set forth in his**
16 **testimony and exhibits in this cause, including his Accounting Report and all**
17 **proposed adjustments to EWSU's test year data?**

18 A16. Yes.
19

20 **Q17. And are Mr. Baldessari's testimony and exhibits based on accurate data for**
21 **EWSU to the best of your knowledge and belief?**

22 A17. Yes.

1

2 **Q18. Does this conclude your direct testimony in this cause?**

3 A18. Yes.

Water Treatment Plant Improvements

		Year 1	Year 2	Year 3
Dechlorination Facility	This project is required by IDEM to maintain compliance with our NPDES permit	\$100,000.00	\$1,500,000.00	
Low Service #1	The drive on this pump is unreliable and the parts are obsolete. It is very hard to find the parts to make repairs when it goes out. When the drive is replaced, the pump needs to be rebuilt at the same time while it is already out of service. This is one of six low service pumps that supply 100% of the water to the plant for treatment. They need to be maintained and rebuilt as part of a scheduled program rather than waiting for catastrophic failure.	\$165,000.00		
HS Pumps #8	This pump and drive unit is in poor condition and needs to be rebuilt. This is one of seven high service pumps that supply the distribution system with 100% of the water. The high service pumps need to be maintained and rebuilt as part of a scheduled program rather than waiting for catastrophic failure.	\$234,000.00		
SCADA Improvements	Necessary to maintain process controls and prevent down-time when current system malfunctions. The current system is not configured to allow for any current expansion needs as well as future needs with the additional dechlorination facilities and water quality monitoring equipment that will be placed in the storage facilities and pump stations.		\$300,000.00	
North Plant Primary Clarifier Rehabilitation Project (2)	These clarifiers are necessary to keep the plant operational and must be maintained. The concrete is severely deteriorated and the steel components will need to be rebuilt or replaced.		\$750,000.00	
HS Pumps #6	This pump and drive unit is in poor condition and needs to be rebuilt. This is one of seven high service pumps that supply the distribution system with 100% of the water. The high service pumps need to be maintained and rebuilt as part of a scheduled program rather than waiting for catastrophic failure.		\$195,000.00	
Low Service #5	This is one of six low service pumps that supply 100% of the water to the plant for treatment. They need to be maintained and rebuilt as part of a scheduled program rather than waiting for catastrophic failure.		\$75,000.00	
HS Pumps #9	This pump and drive unit is frequently out of service and needs to be rebuilt. The current drive is utilizes obsolete technology and needs to be replaced to maintain future reliability. This is one of seven high service pumps that supply the distribution system with 100% of the water. The high service pumps need to be maintained and rebuilt as part of a scheduled program rather than waiting for catastrophic failure.		\$275,000.00	
HS Pumps #7	This pump and drive unit is in poor condition and needs to be rebuilt. This is one of seven high service pumps that supply the distribution system with 100% of the water. The high service pumps need to be maintained and rebuilt as part of a scheduled program rather than waiting for catastrophic failure.		\$250,000.00	
Low Service Structure Painting	This structure is highly visible to the public and is very unsightly. We need to maintain a positive image with the public as to a properly maintained source for their drinking water.		\$150,000.00	

		Year 1	Year 2	Year 3
Backwash flow meter project	Provide more accurate information for NPDES permitting and controlling processes		\$70,000.00	
Filter effluent flow meter project 13-20/20-28/29-36	Will help control processes and improve efficiency		\$120,000.00	
Low Service #3	This is one of six low service pumps that supply 100% of the water to the plant for treatment. They need to be maintained and rebuilt as part of a scheduled program rather than waiting for catastrophic failure.		\$75,000.00	
Low Service #6	This is one of six low service pumps that supply 100% of the water to the plant for treatment. They need to be maintained and rebuilt as part of a scheduled program rather than waiting for catastrophic failure.		\$75,000.00	
Annual Total		\$499,000.00	\$3,835,000.00	\$0.00
3 Year Total		\$4,334,000.00		

Distribution System Improvements

		Year 1	Year 2	Year 3
Hogue Road - Line Replacement	This project includes the replacement of 3,500 feet of 8" unlined cast-iron main with a 12" PVC main. It will tie-in to a 12" main on each end of the project and will include the replacement all service lines that currently do not meet current specifications. Services that do meet current specifications will be changed over to the new main. We have experienced 31 main breaks on this section of line in the last five years including eight in 2011. We have had property damage claims as a result of these main breaks.	\$420,000.00		
Howell Neighborhood - Line replacement	This project includes the replacement of approximately 2,300 feet of 2" galvanized steel water lines with 6" PVC water mains. This will provide greatly improved fire protection and water quality to the area.	\$300,000.00		
Crestview Place	This project includes the installation of approximately 1200 feet of 8" main and changing the services over from an existing 2" galvanized steel water lines, located in the back yards of customers with very limited access for maintenance, to the newer 6" and 8" mains located in the road right-of-way. The 2" steel line leaks frequently and overloads the customers septic systems.	\$160,000.00		
Hydrant Replacement project	We have approximately 6,000 fire hydrants in the system and are adding to that number annually with the acceptance of new subdivisions into the system. Many of the hydrants are currently over 60 years old. Therefore, we have started a hydrant replacement schedule where the goal is to replace approximately 150 hydrants per year. We currently have a comprehensive hydrant inspection program and can target the hydrants in the worst condition for replacement.	\$250,000.00	\$250,000.00	\$250,000.00
Valve Replacement project	We have a valve exercise program in place to ensure proper operability of the system. As we are moving through the system we find valves that are inoperable or broken. These valves must be repaired or replaced to restore proper operability to the system.	\$100,000.00	\$250,000.00	\$250,000.00
Browning Road - main installation, eliminate dead-ends	This project includes the installation of approximately 100 feet of 12" PVC main to tie two existing 12" PVC dead-end mains together. This will eliminate the dead-ends and improve the water quality in the area as well as improve the flow characteristics and operability of the two existing lines.	\$5,000.00		
Old State Road - main installation, eliminate dead-ends	This project includes the installation of approximately 400 feet of 8" PVC main to tie an existing 8" dead-end main into a nearby 36" RCCP main. This will improve the water quality on the dead-end and provide a redundant feed to an very large area that is currently only fed from one direction. There are frequent breaks near the beginning of the dead-end section of main that consequently places a very large number of customers out of water and on a boil advisory when the main has to be shut down to be repaired. With the redundant feed from the 30" main, the broken section can be isolated without placing large numbers of customers out of service.		\$100,000.00	

		Year 1	Year 2	Year 3
Mohr Rd - main installation	This project includes the installation of approximately 1800 feet of 12" PVC main to tie two existing 12" dead-end mains together. This will convert approximately 1.5 miles of 12" main to a higher pressure zone which will greatly improve flow characteristics to a large number of customers including many industrial accounts.		\$260,000.00	
Kratzville Rd - Phase IV - replace main on Mill from Kratzville to Big Ten Blvd	This project includes the installation of approximately 1800 feet of 12" PVC main to eliminate a 12" dead-end main and serve as a redundant feed to many customers including several industrial accounts. This will improve the flow characteristics and operability of the system in the area.		\$260,000.00	
Vanderburgh Neighborhood - main replacement	This project includes the replacement of approximately 6400 feet of 2, 2 1/4, 4, 6, 8 galvanized steel, transite, and unlined cast-iron pipe with new 8" PVC. This will eliminate approximately 500 feet of 12" unlined cast-iron that is currently under a railway switchyard that is inaccessible as well as eliminate 2 ditch crossings that are exposed to the atmosphere. This project will improve water quality to the area as well as provide a large area with fire protection.		\$475,000.00	
Buena Vista - Main replacement - Stringtown to Weaver	This project includes the replacement of approximately 500 feet of 8" unlined cast-iron pipe with 8" PVC pipe. This line breaks frequently and causes property damage as well as very hazardous conditions in freezing weather due to its location on a hill.		\$80,000.00	
Harding Ave - Main replacement - Morgan to Keck	This project includes the replacement of approximately 1400 feet of 8" unlined cast-iron pipe with a new 8" PVC main. The project will also include the replacement of approximately 40 service lines. This main has experienced 12 main breaks in the last 4 years.		\$230,000.00	
Stringtown Rd - Main replacement - Louisiana to Morgan	This project will include the replacement of approximately 1500 feet of 16 unlined cast-iron pipe with a new 16" PVC water main. This project also includes the tie-ins to several side streets. We have had 13 main breaks on this section of main in the last 5 years and it does an extraordinary amount of property damage when this occurs due to the close proximity of the main to many businesses.		\$430,000.00	
Morgan Ave - Main replacement - 41 to Fares	This project includes the replacement of approximately 1700 feet of 12" unlined cast-iron pipe with a new 12" PVC main. This line goes under US 41 and broke several years and had to be removed from service because the break was inaccessible. We need to restore the feed across 41 to improve operability of the system in the area. The remaining piece of main that is still in service breaks frequently and causes property damage due to the large amounts of water carried by the main.			\$270,000.00
Sycamore St Neighborhood - Main replacement - Willow Rd to Runnymede	This project includes the replacement or lining of approximately 4000 feet of 6" unlined cast-iron water main. This Neighborhood experiences discolored water very frequently.			\$450,000.00
Olive St. -Main Replacement - Olive St - Rotherwood Ave to Cul-de-sac W of Harlan	This project includes the replacement or lining of approximately 2500 feet of 6" unlined cast-iron water main. This street experiences discolored water very frequently.			\$270,000.00

		Year 1	Year 2	Year 3
Western Terrace - Main replacement	This project includes the replacement of approximately 10,000 feet of 2,4, and 6" steel and unlined cast-iron mains with new 8" PVC mains. This area varies in elevation and fire protection to approximately 200 homes is very limited. The new main would provide redundant feeds to a very large area that is currently only served by a single 6" main.			\$1,000,000.00
Keck Ave - Main replacement - Grand to Stringtown	This project includes the replacement of approximately 2100 feet of an 8" unlined cast-iron main with a new 12" PVC main to tie an existing 20" main into a newer 12" PVC main. This main has had 10 main breaks in the last 5 years and causes major property damage due to the amount of water produced from the 20" feed.			\$360,000.00
Herndon Ave - Main replacement - Stringtown to Evans	This project includes the replacement of approximately 900 feet of 2" galvanized steel and 6" unlined cast-iron with a new 8" PVC main. This will eliminate a dead-end that causes discoloration and the 2" is severely deteriorated. This project will also include the replacement of services along the route.			\$110,000.00
Annual Total		\$1,235,000.00	\$2,335,000.00	\$2,960,000.00
3 Year Total		\$6,530,000.00		

Tanks & Booster Station Improvements

		Year 1	Year 2	Year 3
Tank Painting - Lincoln	IDEM identified on last year's sanitary survey inspection	\$300,000.00		
Repair Wash-outs on Campground reservoir slopes	Trees and brush have been cleared on the reservoir showing erosion problems that will become significantly worse and jeopardize the integrity of the reservoir if not addressed	\$200,000.00		
Campground Booster Station - Fence Replacement	Need to maintain property security	\$60,000.00		
Campground Booster Station - Backup Generator	This is a system critical facility and backup power is advised		\$150,000.00	
Campground Station - Replace Communications Building	This small shed is in bad shape and houses critical communication equipment for Utility, Mets, and EMA		\$75,000.00	
Annual Total		\$560,000.00	\$225,000.00	\$0.00
3 Year Total		\$785,000.00		

Water Source of supply improvements

		Year 1	Year 2	Year 3
Dredging in front of Intake Structure	The silt in the river in front of our intake structure is jeopardizing our supply in low river conditions	\$250,000.00	\$200,000.00	
	Annual Total	\$250,000.00	\$200,000.00	\$0.00
	3 Year Total	\$450,000.00		

Water main relocation projects

		Year 1	Year 2	Year 3
Water Main relocations due to City/County/State Road Projects	There is currently approximately \$5.9 Million worth of known projects proposed to begin construction in the next two years. In addition to the projects with a preliminarily defined scope, we have other projects such as the Maryland St Bridge project, Broadway Ave Bridge project, Kansas Rd - Airport relocation project, and the Oak Hill & Morgan intersection projects with an unknown amount at this time.	\$2,000,000.00	\$5,000,000.00	\$5,000,000.00
	Annual Total	\$2,000,000.00	\$5,000,000.00	\$5,000,000.00
	3 Year Total	\$12,000,000.00		

Vehicles

		Year 1	Year 2	Year 3
Vehicle Replacement Program	This program will replace aging vehicles in the fleet, many of which are currently out of service. We have 72 light and medium duty vehicles in the fleet and we need to replace the oldest and worst condition vehicles on an annual basis to maintain a reliable fleet as well as keeping the annual vehicle replacement costs to a minimum.	\$315,000.00	\$200,000.00	\$200,000.00
Dump Truck replacement Program	This replacement program will replace two dump trucks in year one. Those trucks are currently nine and ten years old respectively. In year two of the program we will replace a third truck that will be nine years old at the time. These trucks run every day and are needed in emergency situations to maintain the system.	\$220,000.00	\$115,000.00	
Annual Total		\$535,000.00	\$315,000.00	\$200,000.00
3 Year Total		\$1,050,000.00		

Equipment / Facility Improvements

		Year 1	Year 2	Year 3
Equipment replacement program	This is a trade-in program for our backhoes where we trade every two years or approximately 2500 hours. Since we rely on our backhoes to run every day without downtime, we trade often enough to remain reliable and under warranty.	\$50,000.00	\$80,000.00	\$50,000.00
	Annual Total	\$50,000.00	\$80,000.00	\$50,000.00
	3 Year Total	\$180,000.00		

Water Quality Projects

		Year 1	Year 2	Year 3
On-Line water quality monitoring project	We need to maintain existing equipment and replace obsolete equipment to maintain proper treatment processes as well as monitor remote sites. Some of storage facilities and booster stations do not have any monitoring equipment currently.		\$250,000.00	
	Annual Total	\$0.00	\$250,000.00	\$0.00
	3 Year Total	\$250,000.00		

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AMENDED VERIFIED PETITION

Petitioner, the City of Evansville, Indiana, by and through its Water and Sewer Utility Board ("Petitioner"), respectfully petitions the Indiana Utility Regulatory Commission ("Commission") for approval and authorization to increase Petitioner's rates and charges for water service, and for all other relief described in the above caption and below. This amended petition is in all material respect identical to the Verified Petition filed on December 29, 2011 to initiate this cause, except in three respects: First, the test year is now specified to be the 2011 calendar year, ending December 31, 2011, instead of the twelve months ending September 30, 2011. Second, the Petitioner has eliminated the request for a prehearing conference, since that has already occurred. Third, the original petition was verified by EWSU's Interim

Director at the time, James Garrard. This Amended Verified Petition is verified by EWSU's Water Superintendent, Roger A. Johnson.

In support of its Amended Verified Petition, the Petitioner states:

1. Petitioner is a public utility that owns and operates a municipal water works and related facilities providing water sales and service to customers in and near the City of Evansville, Indiana. Petitioner also sells water at wholesale to certain other water utilities. Petitioner's principal office is located at 104 Civic Center Complex, 1 N.W. Martin Luther King, Jr. Blvd., Evansville, Indiana 47708, and it engages in its business solely within Indiana and is subject to the jurisdiction of this Commission to the extent provided by the Public Service Commission Act, as amended, and other laws.

2. Petitioner, by its Department of Waterworks, operates, manages, and controls plants, property, pipelines, equipment, and facilities which are used and useful in the obtainment, treatment, distribution, and sale of water and provision of water service to residential, commercial, industrial, and other consumers in the southwestern portion of Indiana. Petitioner's water utility properties are used and useful in its public service and operated and maintained so as to provide adequate, dependable, and efficient water sales and service to its customers.

3. Petitioner has experienced increased cost and expense, especially for chemicals and energy, since its last rate increase approved by the Commission on September 26, 2007, in Cause Number 43190, which increase was less than the City sought at that time. In addition to increased operating expenses, Petitioner has experienced declining revenues. Consequently, Petitioner's revenues provided by its current rates are inadequate to meet the carrying cost and expense of operating either

its present or planned future additional plant and facilities, as well as the costs and expenses to meet or exceed environmental and other legal and customer service requirements.

4. Petitioner must continue to make necessary additions, extensions, replacements, and improvements to its waterworks system. Petitioner proposes to obtain the necessary funds for these from revenues and from the issuance of new waterworks revenue bonds. The principal and interest of the new waterworks revenue bonds will be payable solely from future revenues of the Petitioner's waterworks.

5. With Petitioner's necessary additions, extensions, replacements, and improvements and after the issuance of the proposed revenue bonds, the existing rates and charges for water service rendered by petitioner will not produce sufficient revenue to pay all the legal and other necessary expenses incident to the operation of the utility, including maintenance costs, operating charges, upkeep, repairs, depreciation, and interest charges on bonds or other obligations, including leases; provide a sinking fund for the liquidation of bonds or other evidence of indebtedness, including leases; provide a debt service reserve for bonds or other obligations, including leases; provide adequate money for working capital; provide adequate money for making extensions and replacements to the extent not provided for through depreciation; provide money for the payment of any taxes that may be assessed against the utility or payments in lieu of taxes; and provide a reasonable return on the utility plant. The existing rates and charges are therefore insufficient, confiscatory, and unlawful.

6. It is necessary to increase the present rates and charges in order to provide sufficient funds to meet the financial requirements of Petitioner's waterworks

and maintain the utility property in a sound physical and financial condition, and to meet all environmental and other water services requirements to enable Petitioner to continue rendering adequate and efficient utility service.

7. Petitioner's Water and Sewer Utility Board acts as the City's legislative body for purposes of rate and bond ordinances pursuant to Ind. Code §§ 8-1.5-5-1.5. At its meeting on December 13, 2011, the Board approved the filing of this petition with this Commission seeking authority for a general water rate increase and bond issue.

8. The extensions, replacements, and improvements, for which authority to issue the bonds, notes, or other obligations is sought, are reasonably necessary for Petitioner to provide adequate and efficient utility service. The revenue bonds which Petitioner seeks authority to issue are a reasonable method of financing such extensions, replacements, and improvements. The new schedule of rates and charges will represent rates and charges which are lawful, nondiscriminatory, necessary, reasonable, and just. Therefore, the issuance of the proposed revenue bonds and the establishment of the new schedule of rates and charges should be approved by the Commission.

9. Depending on the final amount of increase sought, to be set forth in the Petitioner's case-in-chief, the Petitioner may propose to increase its rates in two or more phases.

10. Petitioner plans to utilize a test year for purposes of determining Petitioner's actual and pro forma operating revenues, expenses, and revenue requirement under present and proposed rates based on the twelve (12) months ended December 31, 2011, and believes the financial and accounting data, when properly

adjusted pursuant to Petitioner's evidence, including, but not limited to, the substantial additional capital requirements Petitioner must meet and finance over the next few calendar years, fairly reflect the Petitioner's annual operations. Therefore, such test year, as adjusted, is a proper basis for fixing the requested new rates for Petitioner and testing the effect of those rates.

11. Petitioner considers Ind. Code §§ 8-1-2-42, 8-1.5-2-19 and 8-1.5-3-8, among others, applicable to the subject matter of this proceeding.

12. The attorney authorized to represent Petitioner in this proceeding, who is authorized to accept service of papers in the proceeding on behalf of Petitioner, is:

Clayton C. Miller
Bamberger, Foreman, Oswald & Hahn, LLP
201 N. Illinois St., Suite 1225
Indianapolis, IN 46204
Telephone: 317-822-6786
Fax: 317-464-1592
Email: cmiller@bamberger.com

13. A copy of this Amended Verified Petition is being served on the Indiana Office of Utility Consumer Counselor (OUCC) at the time of its filing. Further information requested by the Commission staff or the OUCC will be provided by Petitioner upon request or as part of Petitioner's evidence herein.

WHEREFORE, Petitioner respectfully prays the Commission promptly conduct a pre-hearing conference, determine a procedural schedule, conduct an evidentiary hearing and take such further action as it deems appropriate, and thereafter issue a final order approving the issuance of bonds, notes, or other obligations, authorizing an increase in Petitioner's rates and charges for water service as requested by Petitioner, and approving the establishment of new schedules of water rates and charges

applicable thereto, with such schedules to properly reflect and establish the proposed rate increase. Petitioner also respectfully prays the Commission make such other and further orders as the Commission may deem appropriate and proper.

CITY OF EVANSVILLE
WATER AND SEWER UTILITY

May 21, 2012

By: _____
Its attorney

Clayton C. Miller, Attorney No. 17466-49
BAMBERGER, FOREMAN, OSWALD & HAHN, LLP
201 N. Illinois St., Suite 1225
Indianapolis, IN 46204
Telephone: 317-822-6786
Fax: 317-464-1592
Email: cmiller@bamberger.com

ATTORNEY FOR PETITIONER

VERIFICATION

I, Roger A. Johnson, am the Water Superintendent of the Evansville Water and Sewer Utility of the Evansville Water and Sewer Utility. I have read and assisted in the preparation of the foregoing Amended Verified Petition and affirm under penalties for perjury that the representations contained in this Petition are true and correct to the best of my knowledge, information, and belief.

Roger A. Johnson
Dated: May 21, 2012

CERTIFICATE OF SERVICE

The undersigned counsel certifies that a copy of this Petition has been served by hand-delivery on the Indiana Office of the Utility Consumer Counselor, 115 West Washington Street, Suite 1500 South, Indianapolis, IN 46204 this 21st day of May, 2012.

Clayton C. Miller

0158

**MINUTES OF THE ONE HUNDRED NINETY-SEVENTH MEETING
OF THE BOARD OF DIRECTORS OF THE
EVANSVILLE WATER & SEWER UTILITY -----DECEMBER 13, 2011**

The Board of Directors of the Evansville Water & Sewer Utility met in the Conference Room of the Water & Sewer Department in the City-County Administration Building, at 1:30 p.m., Tuesday, December 13, 2011

ATTENDANCE

Present were members, Stephen Titzer, Tina Murphy, Jeffrey Hatfield, James Gribbins, Barry Russell; Thomas Bodkin, Utility Attorney, James Garrard, Interim Director of Utilities; Michael Labitzke, Deputy Director – Engineering; Harry Lawson, Sewer Superintendent; Roger Johnson, Water Superintendent; Jeff Merrick, Regulatory Compliance; David Heuck, Senior Utility Accountant; Jenny Collins, Controller; Lynn Wile, CH2M Hill; David Schminke, Wessler Engineering; Ron London, BMB; Heath Titzer, Clark Dietz; Wes Christmas, Clark Dietz; Theresa Hartwig, CEI

CALL TO ORDER

Board President Stephen Titzer called the meeting to order.

CONSENT AGENDA

- A. Minutes - November 15, 2011, November 29, 2011 and December 13, 2011
- B. Payroll - Week ending
- C. Pay Requests and Other Accounts Payable Voucher Register Items

2008 Water Bond

Distribution System Improvements

- 1. For \$19,612.00 (Pay Request No. 1-Final) to K&K Excavating, Inc. for main extension on Spry Road to eliminate two dead-end mains, recommended by Len Will. Contract Amount: \$19,612; Balance on Contract: \$0.

Oak Hill Road

- 2. For \$6,140.00 (Pay Request No. 18) to American Structurepoint for the Oak Hill Road Water Line relocation, October 2011, recommended by Michael Labitzke. Contract Amount: \$237,410; Balance on Contract: \$18,076.69.
- 3. For \$4,551.83 (Pay Request No. 19) to HNTB Corporation for construction engineering assistance for the Kratzville Road Water Line project, through October 28, 2011, recommended by Michael Labitzke. Contract Amount: \$308,200; Balance on Contract: \$21,593.72.

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4. For \$54,241.93 (Pay Request No. 6 – Retainage Release) to Deig Brothers Construction for the Martin Luther King Water main project, recommended by Michael Labitzke. Contract Amount: \$542,419.30; Balance on Contract: \$0.
5. For \$203,406.11 (Pay Request No. 5) to SAK Construction for the Kratzville Road Water Line project, through November 18, 2011, recommended by Ja'maal Charlton. Contract Amount: \$1,135,230; Balance on Contract: \$428,352.28.

Water Treatment Plant Improvements

6. For \$29,214.76 (Pay Request Nos. 10-12) to Black & Veatch for the Water Treatment Plant Station 1 High Service Pit project, through November 15, 2011, recommended by Michael Labitzke. Contract Amount: \$255,273; Balance on Contract: \$42,175.39.

Water General Fund

Consultant

7. For \$12,155.00 to H.J. Umbaugh & Associates for Accounting Services Assistance, June 22, 2011 through November 22, 2011, recommended by James Garrard. Total invoice \$24,310.00 - the cost will be split between Water & Sewer.
8. For \$28,875.00 (Pay Request No. 1 and 2) to Coulter Mapping Solutions Inc. for GIS attribute editing and map updating, November 2011, recommended by Michael Labitzke. Contract Amount: \$91,125; Balance on Contract: \$33,375.00. Total invoice \$57,750.00 - the cost will be split between Water & Sewer.

Legal

9. For \$15,329.18 to Baker & Daniels for legal services related to guaranteed savings, October 2011, recommended by James Garrard. Total invoice \$30,658.35 – the cost will be split between Water & Sewer.
10. For \$202.50 to Bamberger, Foreman, Oswald & Hahn for legal services, November 2011, recommended by James Garrard. Total invoice \$405.00 - the cost will be split between Water & Sewer.

Project Management, Consulting & Implementation

11. For \$7,665.42 (Pay Request No. 3) to Power Engineers for services for Asset Management System, November, 2011, recommended by James Garrard. Total invoice \$15,330.83 - the cost will be split between Water & Sewer.

Sewer General Fund*Project Management, Consulting & Implementation*

12. For \$7,665.41 (Pay Request No. 3) to Power Engineers for services for Asset Management System, November, 2011, recommended by James Garrard. Total invoice \$15,330.83 - the cost will be split between Water & Sewer.
13. For \$612.17 to Repro Graphix for document copies related to consent decree, recommended by James Garrard.

Consultant

14. For \$28,875.00 (Pay Request No. 1 and 2) to Coulter Mapping Solutions Inc. for GIS attribute editing and map updating, November 2011, recommended by Michael Labitzke. Contract Amount: \$91,125; Balance on Contract: \$33,375.00. Total invoice \$57,750.00 - the cost will be split between Water & Sewer.
15. For \$10,709.48 (Pay Request No. 8) to R.W. Armstrong for the Weinbach Lift Station Design, October 29 – November 25, 2011, recommended by Michael Labitzke. Contract Amount: \$198,700; Balance on Contract: \$7,125.16.
16. For \$12,155.00 to H.J. Umbaugh & Associates for Accounting Services Assistance, June 22, 2011 through November 22, 2011, recommended by James Garrard. Total invoice \$24,310.00 - the cost will be split between Water & Sewer.
17. For \$7,500 (Pay Request No. 33) to Peck, Madigan, Jones & Stewart, Inc. for Federal Lobbying Assistance, November 2011, recommended by James Garrard.
18. For 248,057.77 (Pay Request No. 1) to CH2M Hill for work related to Consent Decree, through December 2, 2011, recommended by James Garrard.

Legal

19. For \$1,332.00 (Pay Request No. 13) to Baker & Daniels for legal services relating to the Consent Decree, October 2011, recommended by James Garrard. Total invoice \$2,664.00 - half invoice for Water and Sewer Utility and half invoice for City of Evansville.
20. For \$15,329.17 to Baker & Daniels for legal services related to guaranteed savings, October 2011, recommended by James Garrard. Total invoice \$30,658.35 – the cost will be split between Water & Sewer.
21. For \$14.01 (Pay Request No. 10) to Plews, Shadley, Racher & Braun for legal expenses for the CSO Cost Recovery project, October, 2011, recommended by James Garrard.

0161

22. For \$1,000 (Pay Request No. 45) to Krieg DeVault for legal services related to Old State Utility, October 2011, recommended by James Garrard.
23. For \$202.50 to Bamberger, Foreman, Oswald & Hahn for legal services, November 2011, recommended by James Garrard. Total invoice \$405.00 - the cost will be split between Water & Sewer.

2008 SRF

24. For \$31,607.90 (Pay Request No. 5 & 6) to Wessler Engineering for West Separate Sanitary Assessment, May 2011 & October 2011, recommended by Michael Labitzke. Contract Amount: \$244,000; Balance on Contract: \$111,670.84.
25. For \$32,270.50 (Pay Request No. 6) to United Consulting for the East Separate Sanitary Sewer Assessment, October 2011, recommended by Michael Labitzke. Contract Amount: \$260,000; Balance on Contract: \$136,269.00.
26. For \$145,097.61 (Pay Request No. 8) to CH2M Hill for regulatory assistance and IOCP development, through December 2, 2011, recommended by James Garrard. Contract Amount: \$1,713,493; Balance on Contract: \$76,685.81

2009 SRF

27. For \$720.00 (Pay Request No. 23) to Bernardin Lochmueller for construction administration assistance for the Southeast Boulevard sewer project, October 2011, recommended by Michael Labitzke. Contract Amount: \$200,000; Balance on Contract: \$116,307.32.
28. For \$413,326.64 (Pay Request No. 25) to Blankenberger Brothers for the Southeast Boulevard Sewer project, through November 25, 2011, recommended by Wes Christmas (Clark Dietz)/Michael Labitzke. Contract Amount: \$24,378,164.87; Balance on Contract: \$5,038,993.18.
29. For \$21,754.03 (Pay Request No. 25 – Retainage) to Old National Bank, escrow agent for Blankenberger Brothers for the Southeast Boulevard Sewer project, through November 25, 2011, recommended by Wes Christmas (Clark Dietz)/Michael Labitzke.

2010 SRF

30. For \$2,438,497.68 (Pay Request Nos. 7-11) to Gradex, Inc., for the Cass Avenue Sewer project, July – November 2011, recommended by Tyler Price (American Structurepoint)/Michael Labitzke. Contract Amount: 4,419,407.94; Balance on Contract: \$1,425,110.80 including retainage.
31. For \$270,944.19 (Pay Request Nos. 7-11 Retainage) to Old National Bank, escrow agent for Gradex, Inc., for the Cass Avenue Sewer project, July – November 2011, recommended by Tyler Price (American Structurepoint)/Michael Labitzke.
32. For \$44,951.00 (Pay Request No. 15) to American Structurepoint for construction administration for the Cass Avenue Sewer project, October 2011, recommended by Michael Labitzke. Contract Amount: \$966,660; Balance on Contract: \$605,230.36.

2011 SRF

33. For \$120,591.80 (Pay Request No. 4) to Hydromax USA for the manhole inspection and smoke testing of the priority areas for the IOCP development, November 2011, recommended by Michael Labitzke. Contract Amount: \$547,530; Balance on Contract: \$96,024.17.
34. For \$ 166,493.36 (Pay Request No. 3) to CH2M Hill for Integrated Overflow Control Plan Development, through November 2011, recommended by James Garrard. Contract Amount: \$3,154,470; Balance on Contract: \$2,493,036.85.

2011 SRF Series D Bond

35. For \$7,810.00 to Umbaugh and Associates for closing costs, recommended by James Garrard.
36. For \$13,643.00 to Barnes & Thornburg for legal services relating to the 2011 SRF loan, August - November 2011, recommended by James Garrard.

B-1 Bond

37. For \$232,650.87 (Pay Request No. 7) to Blankenberger Brothers for the Jeanette-Cass Addition Stormwater project, October 22 – November 30, 2011, recommended by David Schminke (Wessler) Michael Labitzke. Contract Amount: \$2,800,756.62; Balance on Contract: \$326,883.51 including retainage.
38. For \$12,244.78 (Pay Request No. 7-Retainage) to Old National Bank, escrow agent for Blankenberger Brothers, for the Jeanette Cass Stormwater project, October 22 –

0163

November 30, 2011, recommended by David Schminke (Wessler)/Michael Labitzke.

39. For \$48,743.81 (Pay Request Nos. 3 & 4 – Retainage held in-house \$5,415.98) to JBI Construction, Inc. for the participation portion of the Downtown Sidewalk Repairs phase II project, through November 30, 2011, recommended by Michael Labitzke. Contract Amount: \$223,525; Balance on Contract: \$22,952.54.
40. For \$1,290,204.00 (Pay Request Nos. 8 & 9) to S.J. Louis for the Eastview Terrace Sewer project, August 16 – October 31, 2001, recommended by Stuart May (United Consulting)/Michael Labitzke. Contract Amount: \$5,046,190; Balance on Contract: \$1,186,072.00.
41. For \$10,039.45 (Pay Request No. 7) to American Structurepoint for the Cave Avenue Sewer, final design through bidding, October 2011, recommended by Michael Labitzke. Contract Amount: \$285,350; Balance on Contract: \$211,666.49.
42. For \$28,297.50 (Pay Request No. 13) to United Consulting for construction engineering for the Eastview Terrace Drainage project, October 2011, recommended by Michael Labitzke. Contract Amount: \$374,200; Balance on Contract: \$29,675.02.
43. For \$25,130 (Pay Request Nos. 2 & 3) to Evansville-Vanderburgh County Building Authority for work provided by American Structurepoint on the “Back 40” Green Improvements, October, 2011, recommended by Michael Labitzke. Contract Amount: \$39,800; Balance on Contract: \$0.

Treatment Plant Upgrades

44. For \$14,180.74 (4 invoices) to PPMI for upgrades at the Treatment Plant, recommended by Harry Lawson and James Garrard.
45. For \$12,126.12 to Power Electric & Pump Inc. for upgrades at the Treatment Plant, recommended by Harry Lawson and James Garrard.

D. Water Construction Applications

Acceptance for Maintenance

10530NC – Evansville Water & Sewer Utility, 1NW Martin Luther King Jr. Blvd
To serve New Haven Subdivision

E. Sewer Construction Applications

Approval of Plans

No. S-1293 – Sitecon Inc., 10335 Hedden Road, Suite 2
To serve Hunter chase Private San Section 3
No. S-1294 – Andy Easley Engineering, 1133 Mill Road
To serve 14240 Petersburg Road

No. S-1149 – HLRD Inc., 1805 Main Street

To serve Heartland Crossing Section 3

No. S-1232 – Bernardin Lochmueller & Associates, 6200 Vogel Road

To serve North Green River Road widening project

Approval of Completed Private Sanitary Sewer

No. S-1252 – Sitecon Inc., 10335 Hedden Rd Ste 2

To serve Hunter Chase Ests Private San Sewer Ext II

Voids

No. S-215 – Marvin Huff Jr., 141 Hartin Drive

To serve 101 Buena Vista

No. S-484 – Robert Dillon, 12949 Jordan Lane

To serve Darmstadt Heights

No. S-600 – Morley and Associates, 4800 Rosebud Lane

To serve Plaza Court Sub lots 2-7

No. S-613 – Morley and Associates, 4800 Rosebud Lane

To serve Kolb Manor Subdivison

No. S-1188 – Nicholson Surveying Inc., 3520 Lakewood Drive

To serve Arbor Valley Ph2

No. S-1223 – Sitecon Inc., 10335 Hedden Road, Suite 2

To serve Falcon Ridge Estates Section Two

F. Grease Trap Compliance Violators

Chilly Willy's and Club Royale will be assessed a \$250 fine because they didn't respond to a completed questionnaire within 10 days of our request.

ON MOTION by Tina Murphy, seconded by James Gribbins, and unanimously carried, the Board approved the Consent Agenda as printed.

NEW BUSINESS

2008 Water Bond

Approve Change Order No. 1 to SAK Construction for the Kratzville Road Water Line Project

Michael Labitzke - While laying the water line we came across a culvert that wasn't on the map. We simply had to offset the water line to continue construction.

ON MOTION by James Gribbins, seconded by Tina Murphy, and unanimously carried, the Board approved Change Order No. 1 in the amount of \$3,129.86 to SAK Construction for the Kratzville Road Water Line project for water line offset installation due to unknown storm sewer line, recommended by Ja'maal Charlton/Michael Labitzke. New Contract Amount: \$1,138,359.86.

0165

Approve Change Order No. 2 to SAK Construction for the Kratzville Road Water Line Project

Michael Labitzke - We would like to add additional expansion couplings to prevent the new line from bursting in which we had identified seven more places those will be added.

Stephen Titzer - Did we pick this up in the initial design phase?

Michael Labitzke - The consulting Engineer did have expansion couplings in the design but we feel like there should more couplings with this project.

ON MOTION by James Gribbins, seconded by Tina Murphy, and unanimously carried, the Board approved Change Order No. 2 in the amount of \$42,176.54 to SAK Construction for the Kratzville Road Water Line project for additional expansion couplings added by the Utility, recommended by Ja'maal Charlton/Michael Labitzke. New Contract Amount: \$1,180,536.40.

Approve Change Order No. 3 to Deig Brothers Lumber & Construction Co., Inc. for the Martin Luther King Water Main relocation.

ON MOTION by James Gribbins, seconded by Barry Russell, and unanimously carried, the Board approved Change Order No. 3 in the amount of \$4,055.00 to Deig Brothers Lumber & Construction Co., Inc. for the Martin Luther King Water Main relocation. The signal detector loop at Locust & MLK was removed in order to place the waterline. City traffic engineer required replacement of the damaged signal loop, recommended by Michael Labitzke. New Contract Amount: \$546,474.30.

2012 SRF

Approve request to advertise for bids for the Weinbach Lift Station Reconstruction

James Garrard - This lift station needs work as soon as possible. We would like to advertise for bids and get started on this reconstruction next year.

ON MOTION by Tina Murphy, seconded by James Gribbins, and unanimously carried, the Board approved request to advertise for bids for the Weinbach Lift Station reconstruction, recommended by John Rexing/Michael Labitzke.

2012 SRF

Approve request to advertise for bids for Cass Phase III Storm Sewer Construction Project

James Garrard - This is the third phase of five phase project that we would like to begin.

ON MOTION by Tina Murphy, seconded by James Gribbins, and unanimously carried, the Board approved request to advertise for bids for Cass Phase III storm sewer construction project, recommended by Michael Labitzke.

B-1 Bond

Approve Change Order No. 1 to JBI Construction Inc.

ON MOTION by James Gribbins, seconded by Barry Russell, and unanimously carried, the Board approved Change Order No. 1 in the amount of \$41,916.45 to JBI Construction Inc. for final field quantities, the addition of knife valves and heavier clean out castings, time and material for field changes, restock due to field changes, and the purchase of non-restock items, recommended by Michael Labitzke. New Contract Amount: \$265,441.45.

Approve Change Order No. 3 to Blankenberger Brothers, Inc. for Jeanette-Cass Avenue Project

Michael Labitzke - There were a couple of streets that were designed to be half reconstructed but because of deterioration the entire street was reconstructed. This is the last change order for this project.

ON MOTION by James Gribbins, seconded by Barry Russell, and unanimously carried, the Board approved Change Order No. 3 in the amount of \$101,008.32 to Blankenberger Brothers, Inc. for project quantity overruns and underruns, recommended by David Schminke (Wessler)/Michael Labitzke. New Contract Amount: \$2,901,764.94.

Approve Professional Services Agreement with Clark Dietz, Inc.

ON MOTION by Jeffrey Hatfield, seconded by Tina Murphy, and unanimously carried, the Board approved Professional Services Agreement in the hourly rate not-to-exceed amount of \$95,205 to Clark Dietz, Inc. for construction engineering and resident project representation services for the Fickas Road Sanitary Sewer construction project, recommended by Michael Labitzke.

Approve Resolution No. 2011-02, 2011-03 and 2011-04 relating to Capital Improvements to waterworks and financing of improvements, recommended by James Garrard.

0167

James Garrard - We have 3 resolutions in a two-step process that will allow us to borrow 4 million through the bond bank. The resolutions include: Declaratory Resolution, Preliminary Bond Resolution and the Bond and BAN Resolution. The

interest rate will not exceed 3%. Resolution 2011-04 will also set the Public Hearing date on December 27 and everything will be addressed in further detail.

Jeffrey Hatfield - So we are borrowing the money from the bond bank with the anticipation of selling bonds?

James Garrard - Yes

ON MOTION by Jeffrey Hatfield, seconded by Tina Murphy, and unanimously carried, the Board approved the Declaratory Resolution 2011-02 related to Capital Improvements to waterworks and financing of improvements, recommended by James Garrard.

ON MOTION by Barry Russell, seconded by Tina Murphy, and unanimously carried, the Board approved the Preliminary Resolution 2011-03 related to Capital Improvements to waterworks and financing of improvements, recommended by James Garrard.

ON MOTION by James Gribbins, seconded by Jeffrey Hatfield, and unanimously carried, the Board approved the Bond and BAN resolution 2011-04 related to Capital Improvements to waterworks and financing of improvements, recommended by James Garrard.

Approve petition to the Indiana Utility Regulatory Commission (IURC)

James Garrard - Starts the process for rate changes on the water side. Proposed fees changes will assist us to cover our costs.

ON MOTION by Tina Murphy, seconded by Barry Russell, and unanimously carried, the Board approved petition to the Indiana Utility Regulatory Commission (IURC) for authority to issue long-term debt and for approval of an adjustment in rates and charges.

Water General Fund - Approve Professional Services Agreement with H.J. Umbaugh and Associates

ON MOTION by Tina Murphy, seconded by James Gribbins, and unanimously carried, the Board approved Professional Services Agreement with H.J. Umbaugh and Associates for water rate study and analysis to be performed for the Indiana Utility Regulatory Commission, recommended by James Garrard.

Water and Wastewater General Fund

Approve Professional Services Agreement with ENVIRON

ON MOTION by Jeffrey Hatfield, seconded by Tina Murphy, and unanimously carried, the Board approved Professional Services Agreement with ENVIRON for water and wastewater NPDES compliance assistance, technical review of permit requirements and communications with IDEM regarding revisions, and on-call services. This is an hourly not to exceed agreement broken into two tasks totaling \$111,000, recommended by James Garrard.

Approve one-year extension of the Utility's street sweeping agreement with Allied Waste

James Garrard - This takes the existing contract through 2012 with the current terms and conditions.

ON MOTION by James Gribbins, seconded by Barry Russell, and unanimously carried, the Board approved one-year extension of the Utility's street sweeping agreement with Allied Waste for the same terms and conditions as the existing agreement per Article 3 of the agreement, recommended by James Garrard.

Financials

Approve Water Finance Ordinance, recommended by David Heuck and James Garrard.

James Garrard - We are simply moving money around to align our accounts for the remainder of the year.

ON MOTION by James Gribbins, seconded by Tina Murphy, and unanimously carried, the Board approved Water Finance Ordinance, recommended by David Heuck and James Garrard.

Approve Water and Sewer Financial Statements, recommended by David Heuck and James Garrard.

ON MOTION by Tina Murphy, seconded by Barry Russell, and unanimously carried, the Board approved Water and Sewer Financial Statements, recommended by David Heuck and James Garrard.

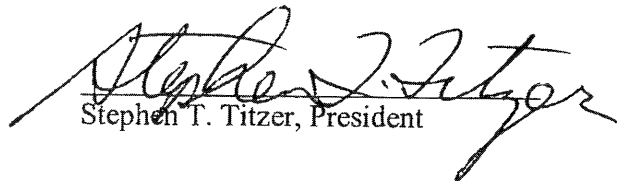
MISCELLANEOUS ANNOUNCEMENTS AND INFORMATION

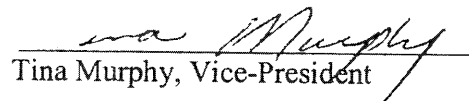
0169

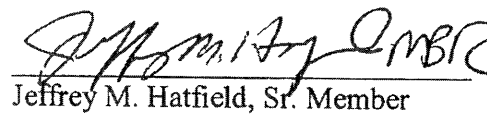
James Garrard - Jenny Collins, the current City Controller will be the new Chief Financial Officer of Water & Sewer Utility.

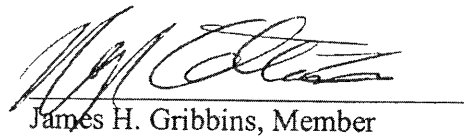
1. Next Scheduled Meeting - December 27, 2011

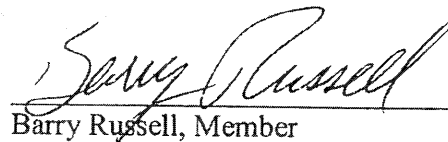
With no further business, the meeting was adjourned at 2:09 p.m.


Stephen T. Titzer, President

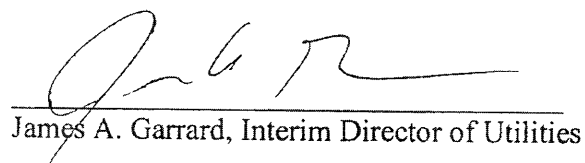

Tina Murphy, Vice-President


Jeffrey M. Hatfield, Sr. Member


James H. Gribbins, Member


Barry Russell, Member

ATTEST:


James A. Garrard, Interim Director of Utilities

May 15, 2012

RESOLUTION 2012-02

**RESOLUTION OF THE EVANSVILLE WATER & SEWER
UTILITY BOARD CONCERNING WATER RATES AND CHARGES**

WHEREAS the Utility Board adopted a resolution on December 13, 2011 authorizing the filing of a petition with the Indiana Utility Regulatory Commission ("IURC") seeking authority for a general water rate increase and a bond issue; and

WHEREAS such a petition was filed on December 29, 2011 and assigned IURC Cause No. 44137; and

WHEREAS at the time the Utility Board adopted the aforementioned resolution the full extent of the rate relief to be sought in the referenced petition to the IURC remained to be finalized; and

WHEREAS the outside expert utility rate consultants retained by the Utility Board, together with the Utility's management, have studied the need for a water rate increase and identified the extent of rate relief needed, and provided to the Utility Board prior to this meeting a recommendation for a series of three rate increases to be implemented upon approval by the IURC over the course of not less than two years, the aggregate amount of the proposed increase being 41.05%; and

WHEREAS, after full review, discussion and due consideration of the aforesaid matter presented, reported, and recommended, upon motion duly made and seconded, the following resolutions were adopted:

RESOLVED that: The Utility's senior management is hereby authorized and directed to prepare and file with the IURC testimony and exhibits of internal as well as external witnesses in support of the Utility's pending petition for a water rate increase (IURC Cause No. 44137) designed to establish a new schedule of rates and charges consistent with the attached proposal recommended for adoption by this Utility Board; and

RESOLVED FURTHER: The management of this Board and the Utility we oversee along with our legal counsel, be and they are hereby authorized to do all such acts and things, execute and deliver all needed or desired documents, and to incur and pay all costs and expenses as may be necessary in order to fully effectuate the purpose and intent of these resolutions; and all of the acts and doings of the management and legal counsel consistent with the purpose and intent of

these resolutions shall be, and the same are hereby in all respects, ratified, approved and confirmed by the Board.

ADOPTED by the Evansville Water and Sewer Utility Board at its duly convened and constituted meeting of May 15, 2012 by a vote of _____ Ayes and _____ Nays.

EVANSVILLE WATER & SEWER UTILITY BOARD

President

ATTEST: _____
Vice President

I, Vivian Holiday, Executive Secretary of the Evansville, Indiana Water and Sewer Utility Board, hereby certify the foregoing is a true and correct copy of the Resolutions duly and regularly adopted and passed by the Board at the meeting of the Board of Directors duly called, noticed, and held at the office of the Evansville, Indiana Water and Sewer Utility Board in Evansville, Vanderburgh County, Indiana on May 15, 2012, at which a quorum was in attendance and voting throughout, and that said Resolutions have not since been rescinded and are still in force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 15th day of May, 2012.

Vivian Holiday, Executive Secretary

draft

IMPORTANT NOTICE TO ALL EVANSVILLE WATER SERVICE CUSTOMERS

Proposed Increase in Water Rates for all Customers

On December 29, 2011, the City of Evansville Water and Sewer Utility Board filed a petition with the Indiana Utility Regulatory Commission (IURC), **Cause No. 44137**, seeking to increase its rates and charges for water service.

The rate increase is required due to increased operational costs and expenses as well as needed, and in some cases mandated, repairs, alterations, and additions to the City's water system, including, but not limited to:

Water treatment plant improvements such as: Addition of a dechlorination facility for discharges to the Ohio River; repairs and improvements to pumps, motors, and electrical controls; and dredging sediment of the Ohio River from the front of the raw water intake structure.

Distribution system improvements such as: Replacement of end of life infrastructure; relocation of water mains for road improvement projects; tank and reservoir improvement projects.

As reflected on the following chart, the requested rate increase is proposed to occur over three (3) years upon approval of the IURC. The first proposed increase would be 19.24% and take effect upon approval by the IURC. These rates would last through the end of the 2013 calendar year. The second proposed increase would take effect on January 1, 2014, and increase rates by another 9.75%. These rates would be in effect throughout the 2014 calendar year. Then on January 1, 2015, the third rate increase, of another 7.91%, would occur. After all three phases of the rate increase have been implemented, the total percentage increase from current rates would be 42%.

The proposed rate increases are as follows:

Phase I, through 2013:	19.24% above present rates
Phase II, for 2014 calendar year:	9.75% above Phase I rates
Phase III, beginning January 1, 2015:	7.91% above Phase II rates

Total aggregate increase above present rates: 42%

The following chart compares various usage levels between the present rates and the proposed rates.

Monthly water bills at various usages (assumes a 5/8" meter and does not include fire protection charge):

Monthly Usage	Present Rate	Year 1 Rate	Year 1 Increase (\$)	Year 2 Rate	Year 2 Increase (\$)	Year 3 Rate	Year 3 Increase (\$)	Cumulative Increase (\$)
2,500	\$8.82	\$10.52	\$1.70	\$11.54	\$1.02	\$12.44	\$0.91	\$3.62
5,000	\$14.42	\$17.19	\$2.77	\$18.86	\$1.67	\$20.34	\$1.48	\$5.92
10,000	\$25.62	\$30.54	\$4.92	\$33.51	\$2.97	\$36.14	\$2.63	\$10.52

The IURC will review Evansville's filing and hold a public hearing before it makes a decision. This process will take several months before any increase is approved. **The IURC has scheduled a public Field Hearing in this cause for 6:00 p.m. on Monday, June 4, 2012 in the auditorium at Bosse High School, 1300 Washington Avenue, Evansville, IN 47714. This Field Hearing is open to the public.**

Have Questions or Wish to Comment? Here Are Three Points of Contact:

Evansville Water & Sewer Utility: (812) 436-7853

IURC Consumer Affairs Division: (800) 851-4268 (toll-free); www.urc.in.gov

Office of Utility Consumer Counselor: (888) 441-2494 (toll-free); uccinfo@oucc.IN.gov

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

(A) Monthly Service Charge

<u>Monthly Service Charge</u>		<u>Proposed</u>			
		<u>Present (1)</u>	<u>Phase I (2)</u>	<u>Phase II (3)</u>	<u>Phase III (4)</u>
<u>Meter Size:</u>					
5/8 - 3/4	inch meter	\$3.22	\$3.84	\$4.21	\$4.54
1	inch meter	3.84	4.58	5.03	5.43
1 1/4	inch meter	4.24	5.06	5.55	5.99
1 1/2	inch meter	4.53	5.40	5.93	6.40
2	inch meter	6.20	7.39	8.11	8.75
3	inch meter	18.82	22.44	24.63	26.58
4	inch meter	23.49	28.01	30.74	33.17
6	inch meter	34.39	41.01	45.01	48.57
8	inch meter	46.84	55.85	61.30	66.15
10	inch meter	60.81	72.51	79.58	85.87

(B) Volume Charge (In addition to monthly service charge)

<u>Consumption per Month</u>						
First	20,000	gallons	\$2.24	\$2.67	\$2.93	\$3.16
Next	280,000	gallons	1.74	2.07	2.27	2.45
Next	700,000	gallons	1.58	1.88	2.06	2.22
Next	2,000,000	gallons	1.39	1.66	1.82	1.96
Over	3,000,000	gallons	1.05	1.25	1.37	1.48

(C) Fire Protection Service

Monthly Surcharge for fire protection

<u>Inside City Limits: (5)</u>					
5/8	inch meter	\$1.76	\$2.21	\$2.43	\$2.62
1	inch meter	2.47	5.53	6.07	6.55
1 1/2	inch meter	3.18	11.05	12.13	13.09
2	inch meter	5.11	17.68	19.40	20.93
3	inch meter	19.38	33.17	36.40	39.28
4	inch meter	24.66	55.28	60.67	65.47
6	inch meter	36.99	110.56	121.34	130.94

Draft

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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF EVANSVILLE,)	
INDIANA, BY ITS WATER AND SEWER)	
UTILITY BOARD, FOR AUTHORITY TO)	
ISSUE BONDS, NOTES, OR OTHER)	
OBLIGATIONS, FOR AUTHORITY TO)	
INCREASE ITS RATES AND CHARGES)	
FOR WATER SERVICE, AND FOR)	CAUSE NO. 44137
APPROVAL OF NEW SCHEDULES OF)	
WATER RATES, CHARGES, AND RULES)	
AND REGULATIONS FOR WATER)	
SERVICE AND FOR APPROVAL OF)	
ACCOUNTING AND RATEMAKING)	
TREATMENT FOR WATER SERVICE)	
TO REFLECT THE IMPACT OF)	
ANTICIPATED CAPITAL REQUIREMENTS)	

DIRECT TESTIMONY OF DOUGLAS L. BALDESSARI, CPA

May 18, 2012

On Behalf of Petitioner
City of Evansville, Indiana
Water and Sewer Utility

1 Q. Please state your name and business address.

2 A. My name is Douglas L. Baldessari and my business address is 8365 Keystone Crossing,
3 Suite 300, Indianapolis, Indiana 46240.

4

5 Q. What is your profession and where are you employed?

6 A. I am a Certified Public Accountant with the firm of H.J. Umbaugh & Associates
7 (“Umbaugh”), Certified Public Accountants, LLP.

8

9 Q. Can you describe Umbaugh and its area of expertise?

10 A. Umbaugh is a firm of Certified Public Accountants practicing exclusively as independent
11 financial advisors and utility consultants. The firm, in existence for over fifty (50) years,
12 is a regional CPA firm with offices in Indianapolis and Plymouth, Indiana, and Lansing,
13 Michigan. Our firm has concentrated its practice in providing financial advisory services
14 to various governmental entities and not-for-profit utilities within the State of Indiana. A
15 large part of our practice involves accounting studies in connection with changes in
16 utility rates and financial planning for the issuance of tax-exempt bonds and other
17 evidences of indebtedness.

18

19 Q. What is your educational experience?

20 A. In May 1991, I received a Bachelor of Science Degree in Finance from the University of
21 Connecticut, School of Business, Storrs, Connecticut. In August 2001, I received my
22 Master of Professional Accountancy from Indiana University Kelly School of Business,

1 Indianapolis, Indiana. Since then I have completed various professional courses
2 sponsored by the American Institute of Certified Public Accountants, Indiana CPA
3 Society, and American Water Works Association and other professional organizations.
4

5 Q. Please describe your relevant professional experience.

6 A. I joined H.J. Umbaugh & Associates in March 2000 and, in 2002, completed the
7 requirements to become licensed as a Certified Public Accountant in the State of Indiana.
8 I became a Principal in the firm in January of 2009. During the past twelve (12) years
9 with H. J. Umbaugh & Associates, I have been involved with many professional
10 engagements including financial studies for municipally-owned water and sewage
11 utilities, not-for-profit water corporations, regional water and sewer districts, and
12 conservancy districts. These studies quite often have involved the determination of
13 utility revenue requirements, cost of service studies, and the financial planning associated
14 with the issuance of tax-exempt and taxable bonds and loans.
15

16 Q. What professional organizations are you associated with?

17 A. I am a member of the American Institute of Certified Public Accountants, The AWWA
18 and the Indiana CPA Society and our firm is a member of both the Indiana Rural Water
19 Association and the Indiana Water and Wastewater Alliance.
20

21 Q. Have you testified before as an expert witness?

1 A. Yes, I have testified before the Indiana Utility Regulatory Commission ("IURC") on
2 several previous occasions.

3
4 Q. Was your firm retained by the City of Evansville acting through its Water and Sewer
5 Utility Board ("Evansville" or "City" or "Petitioner") in connection with these
6 proceedings?

7 A. Yes.

8
9 Q. Would you briefly describe the purposes for which you were retained and the nature and
10 scope of the services which you were to provide?

11 A. We were retained to assist utility management ("Management") with the compilation of
12 the possible future financial requirements of the Petitioner and to make recommendations
13 regarding across-the-board changes in the Petitioner's present schedule of rates and
14 charges for service. We were also retained to provide financing options in light of the
15 Petitioner's desire to construct certain improvements to its waterworks system ("Utility").
16 Our study was based upon information that we obtained from the Utility records that
17 were made available to us by Management.

18
19 Q. Have the results of those studies been summarized in a written report?

20 A. Yes. Our firm prepared an accounting report dated May 18, 2012 ("Accounting Report")
21 summarizing the results of our studies.

22

1 Q. Please identify Petitioner's Exhibit No. DLB-1.

2 A. Exhibit No. DLB-1 is a copy of our Accounting Report summarizing the results of the
3 accounting services performed for the Petitioner.
4

5 Q. Was the Accounting Report prepared by you or under your supervision?

6 A. Yes, it was.
7

8 Q. Would you please explain the Accounting Report to the extent not otherwise self-
9 explanatory?

10 A. The Accounting Report is divided into two sections. The first section (pages 3 through
11 26) contains pro forma financial information for the 12 months ended December 31,
12 2011, which was the test year used to develop the proposed rates and charges. The
13 second section of the Accounting Report (pages 27 to 38) contains additional unaudited
14 financial information regarding the test year ended December 31, 2011, and comparative
15 financial information for the two preceding calendar years 2009 and 2010.
16

17 Page 6 of the report contains an estimate of the costs and funding of the capital
18 improvements proposed by the Management. Construction costs, together with
19 contingencies and engineering fees, have been estimated by the consulting engineers and
20 Management at \$25,579,000. Non-construction costs, estimated at \$5,671,000, include
21 allowances for financing costs, the pre-funding of a \$3.1 million debt service reserve and
22 capitalized interest on the bonds for one year. Total costs of the project are shown to be

1 \$31,250,000. The allowance for capitalized interest has been included to permit the
2 phasing in of the proposed rate increase. By capitalizing interest payments for the first
3 year, there will be no need to recover interest costs on the proposed bonds until Phase II
4 of the proposed rate adjustment. Costs of the project will be funded from the proceeds of
5 up to \$31.25 million of waterworks district bonds and interest to be earned during the
6 construction period. The bonds may also be issued in series, if needed, and bond
7 anticipation notes may be issued to correspond with the need for construction funds.

8
9 Due to the need to proceed with some of the proposed improvements to meet construction
10 timetables for main relocations imposed by the Indiana Department of Transportation and
11 other needed improvements, the Utility has temporarily borrowed \$4 million of the funds
12 needed from the Evansville Bond Bank and will reimburse those funds from bond
13 proceeds as soon as the bonds are issued.

14
15 The amortization of the proposed Bonds is shown on page 7 of the report. Principal
16 repayments on the Bonds are shown paid annually over a twenty-year period beginning
17 January 1, 2016. The first principal payment will be deferred until January 1, 2016 based
18 on the estimated timing of the proposed improvements and to phase-in the proposed rate
19 increase. Interest is shown to be paid semiannually beginning July 1, 2013 at assumed
20 interest rates ranging from 2.20 percent to 4.80 percent. Actual interest rates will be
21 determined through competitive bidding. Principal payments have been “wrapped

1 around” or structured to allow for level combined annual debt service on all outstanding
2 and proposed bonds.

3
4 Page 8 of the report combines the debt service requirements of the 2004 Bonds, the 2005
5 Refunding Bonds, and the 2008 Bonds with the proposed Bonds. The pro forma
6 combined average annual debt service is \$6.57 million for the five bond years January 1,
7 2020. Once the proposed bonds are sold, the debt service requirement will be adjusted to
8 reflect the actual interest rates.

9
10 Pages 9 through 14 of the Accounting Report present the pro forma annual cash operating
11 expenses. Adjustments to test year expenses have been made for fixed, known and
12 measurable changes. The test year cash operating expenses have been adjusted to reflect
13 the cost of the 2012 payroll adjustments and the current cost of employee benefits and
14 insurance, elimination of expenses considered non-recurring, among others. The payroll
15 and associated benefits have been adjusted to include the previously budgeted, recently
16 filled positions which resulted from bringing the management of the Water Utility back
17 in-house. Other significant cash operating expenses include adjustments for the expected
18 cost of periodic maintenance requirements. The Utility has an expansive waterworks
19 system including a water treatment plant, 7 water tanks and an extensive distribution
20 system all requiring periodic maintenance. Management has included a \$492,033 annual
21 allowance for periodic plant maintenance.

1 On June 1, 2010 the City took back the operations of the Water Utility from the service
2 provider American Water Operations and Maintenance, Inc. ("American Water"). The
3 City took back the operations of the Utility to better control the skyrocketing cash
4 operating expenses and to delay the need for another rate increase to cover these
5 increasing expenses. The provisions of the 2007 agreement allowed for the contractor to
6 flow through the costs of electric, natural gas and chemicals to the City which were
7 previously included in American Water's base fee. Due to increased commodity and
8 electric costs the total electric, gas and chemical expenses have been in excess of the pro
9 forma expenses approved in the last rate case by about \$1 million per year for the past 4
10 years, or over \$4 million total.

11
12 The Utility's Operations have been under the Management of the City for over a year.
13 Management now has a better idea of the operating expenses to include in the proposed
14 rates and is ready to move forward with the IURC rate proceeding.

15
16 The test year cash operating expenses, including a full year of in-house operations, of
17 \$14,956,780 have been increased by \$960,148 to arrive at pro forma annual cash
18 operating expenses of \$15,916,928.

19
20 Page 15 summarizes the normalized annual operating revenues of the Utility. Test year
21 revenues have been adjusted to reflect normalized annual metered sales resulting from the
22 actual number of additional users added during the test year as calculated on pages 16

1 and 17. The test year revenues have also been adjusted for the current number of
2 customers assessed the public and private fire protection charges. Finally, adjustments
3 are made to include the pro forma amount of reimbursements for shared expenses and
4 reductions due to planned industrial plant closings. Test year revenues of \$20,494,418
5 have been increased by \$10,797 to arrive at normalized annual revenues of \$20,505,215.

6
7 The City desires to eliminate in phases spread out over 3 rate cases, beginning with this
8 rate case, the outside City rate differential for its fire protection charges. Page 20
9 calculates the revenue-neutral proposed monthly fire protection charges for all customers
10 prior to applying the proposed across-the-board rate increases. The pro forma fire
11 protection charges assume one-third of the territorial rate differential is phased-out in this
12 rate proceeding. The City proposes to eliminate the rate differential in three steps
13 beginning with this rate case and continuing in each of the next 2 rate cases to ease the
14 burden on the waterworks customers from the effect of the rate change.

15
16 A summary of the pro forma annual revenue requirements of the Petitioner can be found
17 on page 21 of the report. The pro forma annual revenues are shown in three Phases.
18 Phase I reflects those expected requirements and revenues needed now through the end of
19 2013. Phase II reflects those requirements and revenues needed during 2014. Phase III
20 shows those requirements and revenues needed during 2015 and thereafter. The
21 Petitioner is proposing that the rates and charges needed to satisfy these requirements be
22 phased in over this three-year period to minimize the burden on ratepayers.

1
2 Pro forma cash operating expenses for 2013, or Phase I, is shown on pages 9 to 14,
3 increased by the expected additional Indiana Utility Receipts Taxes of \$44,542. It is my
4 understanding that due to the Utility's financial difficulties and the desire to not raise
5 rates while the approved phased rates were still being implemented, the City did not
6 require the payment in lieu of property taxes to be paid from the Utility for the past 3
7 years. The City also desired to have a full year of in-house operations in place prior to
8 filing this rate case with the IURC. The pro forma payment in lieu of property taxes for
9 Phase I is calculated to be \$1,078,995. This amount has been increased by \$51,550 for
10 Phase II and by \$263,928 Phase III, to provide for additional payments in lieu of taxes as
11 construction of planned improvements is completed. Additional Utility Receipts Taxes
12 resulting attributable to the proposed increase in revenues has also been added to Phases
13 II and III.

14
15 Debt service requirements for Phase I reflect the expected principal and interest payments
16 of the outstanding bond issues only since interest on the new bonds has been capitalized
17 through for the first year. In 2014, the debt service requirement increases by \$1,447,131
18 as interest in the proposed bonds becomes payable from current revenues. In 2015, debt
19 service increases by \$135,786 to provide for both principal and interest payments on the
20 proposed bonds.

1 The projected annual depreciation allowance is computed to be \$3,231,246 for 2013
2 based upon existing plant in service. In 2014 the depreciation allowance increases by
3 \$105,866 for construction completed on projects. A portion of the Phase I and Phase II
4 depreciation allowance has been deferred to more ratably phase-in the proposed rate
5 increases. The depreciation allowance for 2015 is increased to the pro forma calculated
6 amount of \$3,879,128.

7
8 In order to provide revenues to meet these requirements, the Petitioner has proposed that
9 water rates and charges be increased across-the-board by 19.24% effective upon approval
10 by this Commission, 9.75% effective January 1, 2014 and 7.91% on January 1, 2015.

11
12 Q. Mr. Baldessari, you discussed earlier in your testimony that you structured the debt
13 service to help phase-in the rate increase over 3 years. What rate increase would be
14 necessary if the debt service is not structured in the way you described and rates and
15 charges were increased in two steps?

16 A. In order to phase-in the increase in rates requested, we capitalized interest on the bonds
17 through January 1, 2014 and deferred the first principal payment until January 1, 2016. If
18 the rates are not phased in, the amount of the bond issue would exclude the capitalized
19 interest, reducing the amount of the bonds to \$29.8 million. That would require an
20 increase in rates of 30.3% once the rates became effective and an additional 7.7% upon
21 completion of construction.

1 Pages 25 and 26 of the report show the calculation of the proposed rates and charges.
2 Existing rates have been increased 19.24% across-the-board to arrive at the rates
3 proposed to be effective January 1, 2013, by 9.75% across-the-board to arrive at the rates
4 proposed to be effective January 1, 2014, and by an additional 7.91% across-the-board to
5 arrive at the rates proposed to be effective January 1, 2015, and thereafter.

6
7 Q. As you are aware, the City has requested the approval of a guaranteed performance
8 contract and financing in IURC Cause No. 44123. Why are the additional revenues,
9 reduced expenses and associated debt service not included in your Accounting Report?

10 A. We have not included in this rate case the benefit and associated debt service related to
11 that project for two reasons: First, the IURC has not yet approved the contract or
12 financing. Although I fully expect that to occur in the near future, this remains
13 speculative for purposes of calculating rates. Second and more important, even if the
14 contract and financing are approved tomorrow, the adjustments to the revenues and
15 revenue requirements will not be fully fixed, known or measurable and much of the
16 benefit will not be realized until the project is completed for more than 2 years, long after
17 the rate adjustments requested in this proceeding have begun. Finally, the benefits
18 resulting from the guaranteed performance contract projects will be used to pay for the
19 future debt service costs on the installment payment contract used to finance those
20 separate projects.

21
22 Q. Please continue with the explanation of the Accounting Report.

1 A. The second section of the Accounting Report, which displays unaudited, supplemental
2 financial information, begins on page 27. Included in this section is a comparative
3 statement of net assets of the Utility as of December 31, 2009, 2010, and 2011. Page 29
4 of the report contains a statement of revenues, expenses and other changes in net assets
5 comparing the Utility's revenues, expenses and resulting net revenues for the test year
6 with the two preceding calendar years. A comparative statement of cash flows can be
7 found on pages 30 and 31 of the report. This schedule compares the Utility's cash
8 receipts and cash disbursements of the test year with the two preceding calendar years.
9 Page 32 displays the detailed cash operating expenses for the test year and the two
10 preceding calendar years. Pages 33 and 34 compare the account balances of the
11 Petitioner as of December 31, 2011 with the minimum balances either required to be
12 maintained by the outstanding resolutions in effect with respect to the Petitioner's
13 outstanding long-term indebtedness, or that are typically maintained by municipal
14 utilities such as the Petitioner. Pages 35 and 38 display the amortization schedules of the
15 outstanding 2004 Bonds, 2005 Refunding Bonds, 2008 Bonds and the outstanding
16 combined debt service schedule.

17
18 Q. Does this conclude the explanation of your Accounting Report?

19 A. Yes it does.

1 Q. Is it your opinion that the proposed financing through the issuance of the Bonds, and the
2 structure of the Bonds, is a reasonable and necessary method of funding the proposed
3 Project?

4 A. Yes it is. The use of tax-exempt debt is an appropriate means to finance the proposed
5 improvements. This method allows the Petitioner the ability to spread the recovery of
6 these costs among the benefited users. It results in lower rates for current customers and
7 provides a mechanism for future customers of the Petitioner to pay for a portion of the
8 facilities that they will use.

9
10 Q. Is it your opinion the rates proposed in your Accounting Report are fair, just, non-
11 discriminatory and reasonable and necessary to meet the projected revenue requirements
12 of the utility?

13 A. Yes, it is my opinion they are. The Petitioner has chosen to not conduct a cost-of-service
14 study at this time, due to the significant amount of capital expenditures being proposed
15 and the magnitude of the proposed rate increase. Instead, existing rates and charges have
16 been increased across-the-board to arrive at new rates.

17
18 Q. Does this conclude your direct testimony in this Cause?

19 A. Yes it does.

Petitioner's Exhibit DLB-1

IURC Cause No. 44137

***CITY OF EVANSVILLE, IN
WATERWORKS DISTRICT***

***Accounting Report On
Proposed Improvement
Project and Increase
In Rates and Charges***

May 18, 2012

***Umbaugh
Certified Public Accountants
Indianapolis, Indiana***

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UNAUDITED SUPPLEMENTAL FINANCIAL DATA

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May 18, 2012

Board of Directors
Evansville Water and Sewer Utility
One N.W. Martin Luther King Jr., #104
P.O. Box 19
Evansville, IN 47740-0001

In connection with the Evansville Waterworks District's ("District") proposed improvement project and increase in water rates and charges in IURC Cause No. 44137, we have, at your request, compiled this special purpose report for submission to the Indiana Utility Regulatory Commission.

This special purpose report has been prepared for the purpose of requesting approval of adjustments to water rates and charges by the Indiana Utility Regulatory Commission and should not be used for any other purpose.

Further, the pro forma financial information in this report which has not been compiled, reviewed or audited by us, is based upon unaudited financial information for the twelve months ended December 31, 2011, which was compiled by us and assumptions provided by management and their consulting engineers or obtained from other sources. This pro forma financial information is prepared for the purpose of showing the estimated financial effects on the utility's revenue and revenue requirements of an increase in rates and charges for service and other changes that may be reasonably fixed, known or measured, excluding provisions for future inflation. The actual results achieved may vary from the pro forma information and the variations may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We have compiled the accompanying comparative statement of net assets of the District as of December 31, 2009, 2010 and 2011, and the related comparative statements of revenues, expenses, and changes in net assets, and cash flows for the periods then ended and supplementary data. We have not audited or reviewed the accompanying historical financial statements and supplementary data, and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

(Continued on next page)

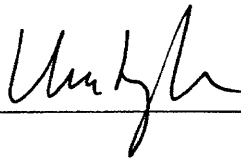
Board of Directors
Evansville Water and Sewer Utility
Date: May 18, 2012
Page 2

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations and its cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Evansville Waterworks District.



A handwritten signature in black ink, appearing to read "U. Lyle", is written over a horizontal line.

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

GENERAL COMMENTS

The City of Evansville, located in Vanderburgh County, Indiana, owns and operates a water utility ("District") and furnishes retail water service and fire protection to the residents of the City and the surrounding area. In addition the District provides wholesale water service to the German Township Water District, Inc., Gibson Water, Inc. and Elberfeld Municipal Water Utility.

In order to provide sufficient revenues for the anticipated expenses of operation and maintenance, payment in lieu of property taxes, to provide for the payment of principal and interest on the existing and proposed bonds and to fund its annual depreciation allowance, the Board of Directors proposes to increase water rates and charges across-the-board in the aggregate amount of approximately 41.2%, subject to the approval of the Indiana Utility Regulatory Commission.

Schedule of Estimated Project Costs and Funding – Page 6

This schedule shows the total estimated project costs which include estimated construction costs, contingencies and engineering fees of \$25,579,000 and estimated non-construction costs of \$5,671,000. The construction costs are based on estimates in the proposed capital improvement plan provided by utility management.

Estimated construction costs, including contingencies and engineering, are estimated to be \$25,579,000. These projects include various improvements to the water treatment plant, distribution system, tanks and booster stations, water main relocations, equipment and vehicles and other various improvements. The project costs include costs which are currently being paid from proceeds of a \$4 million bond anticipation note ("2011 BAN") which was issued December 29, 2011. The BAN will be refinanced from proceeds of the proposed Waterworks District Revenue Bonds. Estimated non-construction costs including an allowance for a cash funded debt service reserve, capitalized interest on the 2011 BAN and to phase in the proposed rate increases, and costs of issuance are estimated at \$5,671,000. The Project will be funded from the proceeds of proposed Waterworks District Revenue Bonds in the amount of \$31,250,000.

Schedule of Amortization of \$31,250,000 Principal Amount of Proposed Waterworks District Revenue Bonds, Series 2012 – Page 7

The amortization of the \$31,250,000 principal amount of proposed Waterworks District Revenue Bonds, Series 2012 ("Proposed Bonds") is presented in this schedule. The Proposed Bonds will mature annually over a period of approximately twenty two years with the final bonds due January 1, 2035. The Bonds are amortized around existing bonds at assumed interest rates ranging from 2.20% to 4.80%. Actual interest rates will be determined by competitive bidding.

(Continued on the next page)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

GENERAL COMMENTS

Pro Forma Schedule of Combined Bond Amortization – Page 8

The principal and interest payments of the outstanding and Proposed Bonds are shown on this schedule based upon the assumed interest rates. The combined annual debt service payments for the five bond years ending January 1, 2020 is estimated to average \$6,566,800.

Pro Forma Annual Cash Operating Expenses – Pages 9 - 14

The recorded cash operating expenses for the twelve months ended December 31, 2011 have been adjusted for fixed, known and measurable changes as explained on pages 10 through 14 to arrive at the pro forma annual cash operating expenses. The adjustments exclude a provision for future inflation.

Calculation of Normalized Annual Operating Revenues – Pages 15 - 19

The recorded test year operating revenues have been normalized to reflect the estimated financial effects of new users added to the system during the test period. Fire protection revenues have been adjusted to reflect the current number of hydrant and sprinkler connections. Other revenue is adjusted to reflect the Sewer Utility's portion of shared billing and general expenses. Also, revenue has been reduced for the loss of large industrial users with Whirlpool being the most significant.

Calculation of Pro Forma Annual Fire Protection Charges – Page 20

As part of this request for approval to adjust water rates and charges the District is proposing to phase-out the rate differential on the fire protection charges. This schedule shows the recalculation and proposed first step of the phase-out of the monthly public fire protection fees prior to the proposed rate adjustment.

(Continued on next page)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

GENERAL COMMENTS

Pro Forma Annual Revenue Requirements and Annual Revenues – Pages 21 - 24

The recorded cash operating expenses for the twelve months December 31, 2011, have been adjusted for expected changes as explained on pages 9 through 14 to arrive at the pro forma annual cash operating expenses. Payment in lieu of property tax is proposed to be reinstated as the Board of Directors and City approved the temporary suspension of payment in lieu of property tax for years beginning in 2009 until the next water rate case has been approved by the IURC. Phase I is calculated based on utility plant value as of December 31, 2011. Phase II is increased for construction work in progress and Phase III includes the addition of the proposed Project. Phase I debt service is based on the pro forma debt service payments on the outstanding bonds and Proposed Bonds for the bond year ending January 1, 2014, net of capitalized interest on the Proposed Bonds. Phase II debt service is based on pro forma debt service payments on the outstanding and Proposed Bonds for the bond year ending January 1, 2015. Phase III reflects the average annual debt service payments on the outstanding and Proposed Bonds for the five years ended January 1, 2020. The allowance for replacements and improvements to capital assets is based upon a 2% composite depreciation expense rate which is added to arrive at total revenues required. The total revenue requirements are reduced by pro forma miscellaneous revenues to provide the pro forma net revenue requirements to be funded through rates and charges.

The pro forma net revenue requirements for Phase I, II and III are \$20,778,258, \$22,803,856 and \$24,606,654 respectively. The District is petitioning for a 19.24% increase in rates and charges for Phase I effective upon approval from the Commission, a 9.75% increase in rates and charges for Phase II effective January 1, 2014, a 7.91% increase in rates and charges for Phase III effective January 1, 2015.

Schedule of Present and Proposed Rates and Charges – Pages 25 - 26

This schedule reflects the present and proposed rates and charges for the Evansville Waterworks District. The rates and charges represent a 19.24%, 9.75% and 7.91% increase in rates and charges for Phase I, II and III respectively, as approved and adopted by the Board of Directors per the resolution dated May 15, 2012. The non-recurring charges are not proposed to be adjusted in this Cause.

EVANSVILLE WATERWORKS DISTRICT
Evansville, Indiana

PRO FORMA FINANCIAL INFORMATION

EVANSVILLE (INDIANA) WATERWORKS DISTRICT
SCHEDULE OF ESTIMATED PROJECT COSTS AND FUNDING
(Per Utility Management)

ESTIMATED PROJECT COSTS

Estimated Construction Costs, Contingencies and Engineering:	
Water treatment plant improvements	\$4,334,000
Distribution system improvements	6,530,000
Tanks & booster station improvements	785,000
Water source of supply improvements	450,000
Water main relocation projects	12,000,000
Vehicles	1,050,000
Equipment/facility improvements	180,000
Water quality project	250,000
	<hr/>
Total Estimated Construction Costs, Contingencies and Engineering	25,579,000
	<hr/>
Estimated Non-Construction Costs:	
Pre-funded debt service reserve	3,125,000
Capitalized interest on BAN (1)	60,000
Allowance for capitalized interest on bonds (2)	1,461,800
Allowance for legal, bond counsel, financial advisory, bond issuances costs, general project contingencies and rounding	1,024,200
	<hr/>
Total Estimated Non-Construction Costs	5,671,000
	<hr/>
Total Estimated Project Costs	\$31,250,000
	<hr/>

ESTIMATED PROJECT FUNDING

Proposed Waterworks District Revenue Bonds	<hr/>
	\$31,250,000
	<hr/>

- (1) Assumes one year's interest expense at 1.5%. The \$4 million BAN was issued through the Evansville Bond Bank on December 29, 2011 at a 1.5% interest rate.
- (2) Assumes the first year's interest payments on the bonds are paid from bond proceeds to accommodate the phasing-in of the proposed rate increase.

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

**SCHEDULE OF AMORTIZATION OF \$31,250,000 PRINCIPAL AMOUNT OF
PROPOSED WATERWORKS DISTRICT REVENUE BONDS, SERIES 2012**

Principal payable annually January 1st, beginning January 1, 2016.

Interest payable semi-annually January 1st and July 1st, beginning July 1, 2013.

Assumes interest rates as indicated.

Assumes bonds dated December 27, 2012.

Payment Date	Principal Balance	Principal	Assumed Interest Rates (1)	Debt Service		Bond Year Total
				Interest	Total	
		(In thousands)	(%)			
07/01/13				\$738,919.72	\$738,919.72	
01/01/14	\$31,250			722,856.25	722,856.25	\$1,461,775.97
07/01/14				722,856.25	722,856.25	
01/01/15	31,250			722,856.25	722,856.25	1,445,712.50
07/01/15				722,856.25	722,856.25	
01/01/16	31,250	\$140	2.20	722,856.25	862,856.25	1,585,712.50
07/01/16				721,316.25	721,316.25	
01/01/17	31,110	140	2.45	721,316.25	861,316.25	1,582,632.50
07/01/17				719,601.25	719,601.25	
01/01/18	30,970	145	2.70	719,601.25	864,601.25	1,584,202.50
07/01/18				717,643.75	717,643.75	
01/01/19	30,825	150	3.00	717,643.75	867,643.75	1,585,287.50
07/01/19				715,393.75	715,393.75	
01/01/20	30,675	155	3.25	715,393.75	870,393.75	1,585,787.50
07/01/20				712,875.00	712,875.00	
01/01/21	30,520	155	3.50	712,875.00	867,875.00	1,580,750.00
07/01/21				710,162.50	710,162.50	
01/01/22	30,365	160	3.70	710,162.50	870,162.50	1,580,325.00
07/01/22				707,202.50	707,202.50	
01/01/23	30,205	170	3.85	707,202.50	877,202.50	1,584,405.00
07/01/23				703,930.00	703,930.00	
01/01/24	30,035	180	4.00	703,930.00	883,930.00	1,587,860.00
07/01/24				700,330.00	700,330.00	
01/01/25	29,855	180	4.15	700,330.00	880,330.00	1,580,660.00
07/01/25				696,595.00	696,595.00	
01/01/26	29,675	190	4.25	696,595.00	886,595.00	1,583,190.00
07/01/26				692,557.50	692,557.50	
01/01/27	29,485	200	4.35	692,557.50	892,557.50	1,585,115.00
07/01/27				688,207.50	688,207.50	
01/01/28	29,285	210	4.45	688,207.50	898,207.50	1,586,415.00
07/01/28				683,535.00	683,535.00	
01/01/29	29,075	215	4.50	683,535.00	898,535.00	1,582,070.00
07/01/29				678,697.50	678,697.50	
01/01/30	28,860	220	4.55	678,697.50	898,697.50	1,577,395.00
07/01/30				673,692.50	673,692.50	
01/01/31	28,640	5,220	4.60	673,692.50	5,893,692.50	6,567,385.00
07/01/31				553,632.50	553,632.50	
01/01/32	23,420	5,460	4.65	553,632.50	6,013,632.50	6,567,265.00
07/01/32				426,687.50	426,687.50	
01/01/33	17,960	5,715	4.70	426,687.50	6,141,687.50	6,568,375.00
07/01/33				292,385.00	292,385.00	
01/01/34	12,245	5,980	4.75	292,385.00	6,272,385.00	6,564,770.00
07/01/34				150,360.00	150,360.00	
01/01/35	6,265	6,265	4.80	150,360.00	6,415,360.00	6,565,720.00
Totals		\$31,250		\$28,242,810.97	\$59,492,810.97	\$59,492,810.97
Average annual debt service for the 5 bond years ending January 1, 2020						\$1,584,724.50

(1) Assumes the MMD "A" Scale as of April 25, 2012 plus 100 basis points. The District currently has a "AA-" bond rating from S&P.

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

PRO FORMA SCHEDULE OF COMBINED BOND AMORTIZATION

Payment Date	Outstanding			Proposed Bonds	Total	Bond Year Total
	2004 Bonds	2005 Bonds	2008 Bonds			
07/01/12	\$463,571.88	\$85,131.25	\$800,446.88		\$1,349,150.01	
01/01/13	1,063,571.88	900,131.25	1,675,446.88		3,639,150.01	\$4,988,300.02
07/01/13	451,571.88	70,461.25	782,400.00	\$738,919.72	2,043,352.85	
01/01/14	1,071,571.88	920,461.25	1,687,400.00	722,856.25	4,402,289.38	6,445,642.23
07/01/14	439,171.88	54,736.25	763,734.38	722,856.25	1,980,498.76	
01/01/15	1,089,171.88	939,736.25	1,698,734.38	722,856.25	4,450,498.76	6,430,997.52
07/01/15	426,171.88	37,700.00	744,450.00	722,856.25	1,931,178.13	
01/01/16	1,096,171.88	957,700.00	1,719,450.00	862,856.25	4,636,178.13	6,567,356.26
07/01/16	412,771.88	19,300.00	724,340.63	721,316.25	1,877,728.76	
01/01/17	1,107,771.88	984,300.00	1,734,340.63	861,316.25	4,687,728.76	6,565,457.52
07/01/17	398,871.88		702,878.13	719,601.25	1,821,351.26	
01/01/18	2,288,871.88		1,592,878.13	864,601.25	4,746,351.26	6,567,702.52
07/01/18	361,071.88		683,965.63	717,643.75	1,762,681.26	
01/01/19	2,341,071.88		1,593,965.63	867,643.75	4,802,681.26	6,565,362.52
07/01/19	318,996.88		664,628.13	715,393.75	1,699,018.76	
01/01/20	2,388,996.88		1,609,628.13	870,393.75	4,869,018.76	6,568,037.52
07/01/20	272,421.88		644,546.88	712,875.00	1,629,843.76	
01/01/21	2,442,421.88		1,624,546.88	867,875.00	4,934,843.76	6,564,687.52
07/01/21	223,596.88		623,721.88	710,162.50	1,557,481.26	
01/01/22	2,498,596.88		1,638,721.88	870,162.50	5,007,481.26	6,564,962.52
07/01/22	172,409.38		600,884.38	707,202.50	1,480,496.26	
01/01/23	2,557,409.38		1,650,884.38	877,202.50	5,085,496.26	6,565,992.52
07/01/23	118,746.88		576,603.13	703,930.00	1,399,280.01	
01/01/24	2,623,746.88		1,661,603.13	883,930.00	5,169,280.01	6,568,560.02
07/01/24	60,818.75		551,512.50	700,330.00	1,312,661.25	
01/01/25	2,690,818.75		1,681,512.50	880,330.00	5,252,661.25	6,565,322.50
07/01/25			525,381.25	696,595.00	1,221,976.25	
01/01/26			4,460,381.25	886,595.00	5,346,976.25	6,568,952.50
07/01/26			431,925.00	692,557.50	1,124,482.50	
01/01/27			4,551,925.00	892,557.50	5,444,482.50	6,568,965.00
07/01/27			331,500.00	688,207.50	1,019,707.50	
01/01/28			4,646,500.00	898,207.50	5,544,707.50	6,564,415.00
07/01/28			226,321.88	683,535.00	909,856.88	
01/01/29			4,756,321.88	898,535.00	5,654,856.88	6,564,713.76
07/01/29			115,903.13	678,697.50	794,600.63	
01/01/30			4,870,903.13	898,697.50	5,769,600.63	6,564,201.26
07/01/30				673,692.50	673,692.50	
01/01/31				5,893,692.50	5,893,692.50	6,567,385.00
07/01/31				553,632.50	553,632.50	
01/01/32				6,013,632.50	6,013,632.50	6,567,265.00
07/01/32				426,687.50	426,687.50	
01/01/33				6,141,687.50	6,141,687.50	6,568,375.00
07/01/33				292,385.00	292,385.00	
01/01/34				6,272,385.00	6,272,385.00	6,564,770.00
07/01/34				150,360.00	150,360.00	
01/01/35				6,415,360.00	6,415,360.00	6,565,720.00
Totals	<u>\$29,380,387.62</u>	<u>\$4,969,657.50</u>	<u>\$55,350,287.62</u>	<u>\$59,492,810.97</u>	<u>\$149,193,143.71</u>	<u>\$149,193,143.71</u>
Average annual debt service for the 5 bond years ending January 1, 2020						<u>\$6,566,783.27</u>

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

PRO FORMA ANNUAL CASH OPERATING EXPENSES

See Explanation of Adjustments, pages 10 to 14.

Cash operating expenses for the twelve months ended December 31, 2011	\$14,956,780
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Adjustments:

(1) Salaries and wages	295,081
(2) FICA	24,411
(3) PERF	112,209
(4) Health and life insurance	114,041
(5) Workman's compensation	13,353
(6) Periodic maintenance	492,033
(7) Non-recurring items	(132,609)
(8) Contractual Services	32,218
(9) Insurance	8,985
(10) Utility Receipts tax	(3,307)
(11) Rent	3,733
	<hr/>
Total Adjustments	960,148
	<hr/>
Total Pro Forma Cash Operating Expenses	<u><u>\$15,916,928</u></u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

PRO FORMA ANNUAL CASH OPERATING EXPENSES

(Explanation of Adjustments)

Adjustment 1 - Salaries and Wages

To adjust test year expense to reflect the 2012 across the board 2% increase in salaries and wages approved by the Utility Board; and to normalize for the addition of 5 previously budgeted positions, per utility management.

Pro forma payroll expense	\$5,347,719
Less test year expense	<u>(5,052,638)</u>
Adjustment	<u>\$295,081</u>

Adjustment 2 - FICA

To adjust test year FICA expense to reflect pro forma salaries and wages expense.

Pro forma salaries and wages expense	\$5,347,719
Times FICA rate	<u>7.65%</u>
Pro forma FICA expense	409,101
Less test year expense	<u>(384,690)</u>
Adjustment	<u>\$24,411</u>

Adjustment 3 - PERF

To adjust test year PERF expense to reflect pro forma salaries and wages expense, which includes and increase in the PERF rate from 10.25% (2011 amount) to 12.25% (2012 amount).

Pro forma salaries and wages expense	\$5,347,719
Payroll applicable to Board members	<u>(19,675)</u>
Sub-total	5,328,044
Times PERF rate	<u>12.25%</u>
Pro forma PERF expense	652,685
Less test year expense	<u>(540,476)</u>
Adjustment	<u>\$112,209</u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT
PRO FORMA ANNUAL CASH OPERATING EXPENSES
(Explanation of Adjustments)

(Cont'd)

Adjustment 4 - Health and Life Insurance

To adjust the test year to reflect pro forma health and life insurance expense adjusted for the additional employees per the Utility 2012 Budget and the City Controller.

Pro forma annual health and life insurance	\$1,844,171
Less test year expense	<u>(1,730,130)</u>
Adjustment	<u><u>\$114,041</u></u>

Adjustment 5 - Workman's Compensation

To adjust the test year to reflect pro forma workman's compensation, per the Utility 2012 Budget and the City Controller.

Pro forma workman's compensation expense	\$82,130
Less test year expense	<u>(68,777)</u>
Adjustment	<u><u>\$13,353</u></u>

Adjustment 6 - Periodic Maintenance

To adjust the test year to allow for periodic maintenance on the pumps, filter media, water intake structure, tank maintenance, booster stations and traveling screens, per the Water Superintendent.

I. <u>Pump Maintenance</u>	
a. High service pumps (2 per year @\$21,750 each, for 7 pumps)	\$43,500
b. Low service pumps (2 per year @\$22,000 each, for 6 pumps)	44,000
II. <u>Filter Media</u> (24 filter beds over 5 years @\$27,500 each)	132,000
III. <u>Dredging in front of Intake Structure</u> (\$100,000 every 2 years)	50,000
IV. <u>Tank Maintenance</u>	
a. Cleaning and inspection 10 total tanks (2 tanks per year - \$3,600 each)	<u>7,200</u>
Sub-total	<u><u>\$276,700</u></u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT
PRO FORMA ANNUAL CASH OPERATING EXPENSES
(Explanation of Adjustments)

(Cont'd)

Adjustment 6 - Periodic Maintenance (Cont'd)

Sub-total carried forward \$276,700

IV. Tank Maintenance (Cont'd)

b.	Tank painting:	
1.	Volkman tank (1,500,000 gallons) (\$400,000 every 15 years)	26,667
2.	Darmstadt tank (1,000,000 gallons) (\$350,000 every 15 years)	23,333
3.	Killian reservoir (4,000,000 gallons) (\$500,000 every 15 years)	33,333
4.	Grim Road tank (500,000 gallons) (\$160,000 every 15 years)	10,667
5.	Lincoln Ave. tank (500,000 gallons) (\$300,000 every 15 years) - Included in bond issue	0
6.	Upper Mount Vernon tank (500,000 gallons) (\$275,000 every 15 years)	18,333
7.	USI tank (500,000 gallons) (\$300,000 every 15 years)	20,000

V. Booster Stations
(3 pumps per year @\$6,000 each) 18,000

VI. Traveling Screens Maintenance
(1 per year, for 3 screens @\$65,000 each) 65,000

Adjustment \$492,033

Adjustment 7 - Non-recurring Items

To eliminate expenditures that are considered non-recurring in nature.

<u>Date</u>	<u>Expense Category</u>	<u>Description</u>	<u>Amount</u>
January, 2011	Admin and Gen - Cont. Serv.	Engineering	(\$16,595)
April, 2011	Admin and Gen - Legal	Regulatory assistance	(21,807)
May, 2011	Admin and Gen - Cont. Serv.	Engineering	(1,432)
July, 2011	Admin and Gen - Legal	Regulatory assistance	(6,180)
August, 2011	Admin and Gen - Accounting	Accounting assistance	<u>(2,788)</u>
	Sub-total		<u><u>(\$48,802)</u></u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

PRO FORMA ANNUAL CASH OPERATING EXPENSES

(Explanation of Adjustments)

Adjustment 7 - Non-recurring Items (Cont'd)

Sub-total carried forward			(\$48,802)
August, 2011	Admin and Gen - Accounting	Accounting assistance	(1,885)
August, 2011	Admin and Gen - Accounting	Accounting assistance	(6,555)
September, 2011	Admin and Gen - Accounting	Accounting assistance	(7,268)
November, 2011	Admin and Gen - Accounting	Accounting assistance	(8,353)
November, 2011	Admin and Gen - Accounting	Accounting assistance	(6,760)
December, 2011	Admin and Gen - Accounting	Accounting assistance	(4,796)
December, 2011	Admin and Gen - Legal	Regulatory assistance	(14,505)
December, 2011	Admin and Gen - Legal	GSC legal services	(15,329)
December, 2011	Admin and Gen - Legal	GSC legal services	(18,356)
Adjustment			<u><u>(\$132,609)</u></u>

Adjustment 8 - Contractual Services

To adjust the test year to reflect pro forma contractual services expense, per the contractual service agreements and utility management.

(A) Pro forma GIS contractual services (currently \$8,917.49 - Bi-weekly)	\$231,855	
Less test year expense	<u>(207,785)</u>	
Sub-total		\$24,070
(B) Pro forma legal expense (based on Utility 2012 Budget)	\$50,000	
Less test year expense (net of non-recurring adjustments)	<u>(41,852)</u>	
Sub-total		<u>8,148</u>
Adjustment		<u><u>\$32,218</u></u>

Adjustment 9 - Insurance

To adjust the test year to reflect pro forma general liability insurance and automobile insurance, per Utility 2012 Budget and the City Controller.

Pro forma general liability and automobile insurance expense	\$321,342
Less test year expense	<u>(312,357)</u>
Adjustment	<u><u>\$8,985</u></u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT
PRO FORMA ANNUAL CASH OPERATING EXPENSES
(Explanation of Adjustments)

(Cont'd)

Adjustment 10 - Utility Receipts Tax

To adjust the test year to normalize Utility Receipts Tax ("URT") expense.

Normalized operating revenues for year 2012	\$20,505,215
Plus non-operating income	141,169
Less sewer utility, county reimbursements and other operating revenues	(2,808,100)
Less normalized exempt sales	(1,116,859)
Less taxpayer deduction	<u>(1,000)</u>
Pro forma revenues subject to URT	16,720,425
Times tax rate	<u>1.4%</u>
Pro forma URT expense	234,086
Less test year amount	<u>(237,393)</u>
Adjustment	<u><u>(\$3,307)</u></u>

Adjustment 11 - Rent Expense

To adjust the test year to reflect the current rent expense, per Utility 2012 Budget

Pro forma rent expense (per City Controller)	\$96,990
Less test year expense	<u>(93,257)</u>
Adjustment	<u><u>\$3,733</u></u>

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

CALCULATION OF NORMALIZED ANNUAL OPERATING REVENUES

See Explanation of Adjustments, pages 16 to 19.

	<u>12 Months Ended 12/31/2011</u>	<u>Adjustments</u>	<u>Reduction due to Closings</u>	<u>Normalized Revenues</u>
<u>Operating Revenues</u>				
Residential	\$9,165,756	(\$15,714) (1)		\$9,150,042
Commercial and industrial	6,111,914	(13,142) (2)	(\$55,652) (5)	6,043,120
Fire protection	2,246,086	(11,295) (3)	(1,500) (5)	2,233,291
Forfeited discounts	135,446			135,446
Other	135,216			135,216
Sewer utility portion of general expenses	<u>2,700,000</u>	<u>108,100 (4)</u>		<u>2,808,100</u>
Totals	<u>\$20,494,418</u>	<u>\$67,949</u>	<u>(\$57,152)</u>	<u>\$20,505,215</u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

CALCULATION OF NORMALIZED ANNUAL OPERATING REVENUES
(Explanation of Adjustments)

Adjustment (1)

To adjust test year residential revenues to normalize for the estimated financial effects of approximately 232 more users to the system from the beginning of the test year (based on billing records).

<u>Billing Cycle</u>	<u>Increase/ (Decrease) In Users (A)</u>	<u>Times Estimated Additional Monthly Bills</u>	<u>Additional Monthly Bills</u>	<u>Estimated Monthly Residential Bill (B)</u>	<u>Adjustment</u>
January 2011	67	0	0	\$13.57	\$0
February	(146)	1	(146)	13.57	(1,981)
March	(5)	2	(10)	13.57	(136)
April	86	3	258	13.57	3,501
May	260	4	1,040	13.57	14,113
June	87	5	435	13.57	5,903
July	289	6	1,734	13.57	23,530
August	(2)	7	(14)	13.57	(190)
September	100	8	800	13.57	10,856
October	55	9	495	13.57	6,717
November	(399)	10	(3,990)	13.57	(54,144)
December	<u>(160)</u>	11	<u>(1,760)</u>	13.57	<u>(23,883)</u>
Totals	<u>232</u>		<u>(1,158)</u>		<u>(\$15,714)</u>

(A) Per utility personnel and monthly billing summaries.

(B) Estimated monthly bill assuming average residential consumption of 4,618 gallons priced at test year rates (average bill calculated assuming 5/8" meter).

(Continued on next page)

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

CALCULATION OF NORMALIZED ANNUAL OPERATING REVENUES

(Explanation of Adjustments)

Adjustment (2)

To adjust test year commercial revenues to normalize for the estimated financial effects of approximately 5 users subtracted from the system from the beginning of the test year (based on billing records).

<u>Billing Cycle</u>	<u>Increase/ (Decrease) In Users (A)</u>	<u>Times Estimated Additional Monthly Bills</u>	<u>Additional Monthly Bills</u>	<u>Estimated Monthly Bill (B)</u>	<u>Adjustment</u>
January 2011	(5)	0	0	\$135.48	\$0
February	(5)	1	(5)	135.48	(677)
March	1	2	2	135.48	271
April	(4)	3	(12)	135.48	(1,626)
May	20	4	80	135.48	10,838
June	7	5	35	135.48	4,742
July	5	6	30	135.48	4,064
August	(24)	7	(168)	135.48	(22,761)
September	14	8	112	135.48	15,174
October	12	9	108	135.48	14,632
November	(7)	10	(70)	135.48	(9,484)
December	(19)	11	(209)	135.48	(28,315)
Totals	<u>(5)</u>		<u>(97)</u>		<u>(\$13,142)</u>

(A) Per utility personnel and monthly billing summaries.

(B) Estimated monthly bill assuming average commercial consumption of 69,909 gallons priced at test year rates (average bill calculated assuming 1" meter assuming consumption for the 12 months ended 12/31/11).

(Continued on next page)

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT
CALCULATION OF NORMALIZED ANNUAL OPERATING REVENUES
(Explanation of Adjustments)

(Cont'd)

Adjustment (3)

To adjust the test year fire protection revenues to reflect the current number of connections at the present rates and charges per information provided by utility personnel.

(A) Fire Protection Service - Inside City Limits:

Fire Protection Charge Customer Count as of 12/20/2011			Times Rate Per Month - 2011	Revenue Per Month	Revenue Per Year
5/8	inch meter	39,378	\$1.76	\$69,305	\$831,660
1	inch meter	1,414	2.47	3,493	41,916
1 1/2	inch meter	64	3.18	204	2,448
2	inch meter	1,237	5.11	6,321	75,852
3	inch meter	70	19.38	1,357	16,284
4	inch meter	217	24.66	5,351	64,212
6	inch meter	59	36.99	2,182	26,184
Sub-totals		42,439		88,213	1,058,556

(B) Fire Protection Service - Outside City Limits:

Fire Protection Charge Customer Count as of 12/20/2011			Times Rate Per Month - 2011	Revenue Per Month	Revenue Per Year
5/8	inch meter	17,277	\$3.53	\$60,988	\$731,856
1	inch meter	991	4.94	4,896	58,752
1 1/2	inch meter	3	5.89	18	216
2	inch meter	243	10.23	2,486	29,832
3	inch meter	8	38.81	310	3,720
4	inch meter	52	49.39	2,568	30,816
6	inch meter	28	74.09	2,075	24,900
Sub-totals		18,602		73,341	880,092

(Continued on next page)

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT
CALCULATION OF NORMALIZED ANNUAL OPERATING REVENUES
(Explanation of Adjustments)

(Cont'd)

Adjustment (3) Cont'd

(C) Flat Rate Sprinklers

Fire Protection Charge Customer Count as of 4/30/2012			Rate Per Annum	Revenue Per Year
1	inch connection	3	\$2.75	\$8
2	inch connection	15	15.27	229
3	inch connection	1	42.23	42
4	inch connection	148	86.53	12,806
6	inch connection	431	238.29	102,703
8	inch connection	232	489.29	113,515
10	inch connection	5	854.61	4,273
12	inch connection	35	1,348.19	47,187
Sub-totals				280,763

(D) Split Services and Fire Plug Fees (Test Year)

Pro forma fire protection service revenues	2,234,791
Test year fire protection service revenues	(2,246,086)
Adjustment	<u>(\$11,295)</u>

Adjustment (4)

To adjust the test year for the reimbursement from the sewer utility for its pro forma portion of shared billing general expenses, per sewer utility's approved 2012 budget.

Pro forma sewer utility reimbursement - 2012	\$2,808,100
Less test year amount	(2,700,000)
Adjustment	<u>\$108,100</u>

Adjustment (5)

To normalize metered revenues for the reduction of revenues due to the planned closing of the following businesses.

<u>Company</u> - Test Year 12/31/2011 Amounts	Water Sales	Fire Protection
Whirlpool	\$54,337	\$748
Accuride	1,315	752
Adjustment	<u>\$55,652</u>	<u>\$1,500</u>

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

CALCULATION OF PRO FORMA ANNUAL FIRE PROTECTION CHARGES

To adjust the test year fire protection revenues to reflect the current number of connections at the proposed rates and charges and to eliminate the Outside City Limits Fire Protection Charge, per information provided by utility personnel.

	Normalized Fire Protection Revenues	Reduction due to Closings	Eliminate Outside City Limits Charge	Pro Forma Annual Revenues
Fire protection revenues:				
Public fire protection:				
Inside City	\$1,058,556	(\$738)	\$880,092	\$1,937,910
Outside City	880,092		(880,092)	
Totals	<u>\$1,938,648</u>	<u>(\$738)</u>	<u>\$ -</u>	<u>\$1,937,910</u>

(A) Fire Protection Service:

Fire Protection Charge Customer Count as of 12/20/11			Equivalency Factor	Equivalent Meters	Revenue Per Year
5/8	inch meter	56,655	1.0	56,655	\$1,260,705
1	inch meter	2,405	2.5	6,013	133,803
1 1/2	inch meter	67	5.0	335	7,455
2	inch meter	1,480	8.0	11,840	263,467
3	inch meter	78	15.0	1,170	26,035
4	inch meter	269	25.0	6,725	149,647
6	inch meter	87	50.0	4,350	96,798
Totals		<u>61,041</u>		<u>87,088</u>	<u>\$1,937,910</u>

Fire Protection Charge Customer Count as of 12/20/11			Annual Revenue Required	Normalized Monthly Charge All Customers	Proposed 1/3rd Phase-Out(1)	
					Inside City Customers	Outside City Customers
5/8	inch meter	56,655	\$1,260,705	\$1.85	\$1.79	\$2.98
1	inch meter	2,405	133,803	4.64	3.19	4.84
1 1/2	inch meter	67	7,455	9.27	5.19	7.01
2	inch meter	1,480	263,467	14.83	8.32	11.75
3	inch meter	78	26,035	27.82	22.17	35.18
4	inch meter	269	149,647	46.36	31.82	48.39
6	inch meter	87	96,798	92.72	55.38	80.24
Totals		<u>61,041</u>	<u>\$1,937,910</u>			

(1) Assumes 1/3rd of the rate differential is phased-out in this rate case.

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL REVENUES**

See Explanation of References, pages 22 to 24.

Annual Revenue Requirements:	12 Months Ended 12/31/11 (Unaudited)	Adjustments	Ref.	Phase I Pro Forma (1/1/13)	Adjustments	Ref.	Phase II Pro Forma (1/1/14)	Adjustments	Ref.	Phase III Pro Forma (1/1/15)
Operation and maintenance expense	\$14,956,780	\$960,148	(1)	\$15,916,928			\$15,916,928			\$15,916,928
Additional Indiana utility receipts tax		44,542	(2)	44,542	\$26,917	(2)	71,459	\$23,957	(2)	95,416
Total Operating Expenses	14,956,780	1,004,690		15,961,470	26,917		15,988,387	23,957		16,012,344
Additional payment in lieu of taxes		1,078,995	(3)	1,078,995	51,550	(3)	1,130,545	263,928	(3)	1,394,473
Debt service	4,986,354	(2,487)	(4)	4,983,867	1,447,131	(4)	6,430,998	135,785	(4)	6,566,783
Allowance for depreciation	1,460,866	539,134	(5)	2,000,000	500,000	(5)	2,500,000	1,379,128	(5)	3,879,128
Total Revenue Requirements	21,404,000	2,620,332		24,024,332	2,025,598		26,049,930	1,802,798		27,852,728
Less interest income	(2,674)	(23,923)	(6)	(26,597)			(26,597)			(26,597)
Less forfeited discounts	(135,446)	(108,100)	(7)	(135,446)			(135,446)			(135,446)
Less sewer portion of general expenses	(2,700,000)		(7)	(2,808,100)			(2,808,100)			(2,808,100)
Less other operating income	(135,216)		(7)	(135,216)			(135,216)			(135,216)
Less other nonoperating income	(140,715)		(8)	(140,715)			(140,715)			(140,715)
Net Revenue Requirements	\$18,289,949	\$2,488,309		\$20,778,258	\$2,025,598		\$22,803,856	\$1,802,798		\$24,606,654
Annual Revenues:										
Residential	\$9,165,756	\$1,744,123	(9)	\$10,909,879	\$1,063,431	(9)	\$11,973,310	\$946,426	(9)	\$12,919,736
Commercial and industrial	6,111,914	1,093,600	(9)	7,205,514	702,538	(9)	7,908,052	625,290	(9)	8,533,342
Fire protection	2,246,086	416,779	(9)	2,662,865	259,629	(9)	2,922,494	231,082	(9)	3,153,576
Total Annual Operating Revenues	\$17,523,756	\$3,254,502		\$20,778,258	\$2,025,598		\$22,803,856	\$1,802,798		\$24,606,654
Percentage Increase Requested		19.24%			9.75%			7.91%		
Average Monthly Residential Bill (Presently \$14.42 assuming 5,000 gallons per month)		\$17.19			\$18.86			\$20.34		

(Continued on next page)

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL REVENUES
(Explanation of References)

Adjustment 1

See "Pro Forma Annual Cash Operating Expenses" pages 9 to 14.

Adjustment 2

To provide an allowance for additional Indiana Utility Receipts tax. Calculated as follows:

	Pro Forma		
	Phase I	Phase II	Phase III
Additional URT from rate increase	\$47,592	\$28,761	\$25,598
Less estimated increase in URT for wholesale and exempt revenues	(3,050)	(1,844)	(1,641)
Adjustment	<u>\$44,542</u>	<u>\$26,917</u>	<u>\$23,957</u>

Adjustment 3

To provide an allowance for payments in lieu of property taxes. Calculated as follows:

	Pro Forma		
	Phase I	Phase II	Phase III
Capital assets in service at 12/31/11 (unaudited)	\$161,932,473		
CWIP at 12/31/11 (unaudited)		\$2,274,038	
Plus balance of the 2008 Project proceeds at 12/31/11 (unaudited)		3,019,242	
Plus bond funded additional projects			\$27,100,800
Less accumulated depreciation at 12/31/11 (unaudited)	<u>(51,138,476)</u>		
Sub-total	110,793,997	5,293,280	27,100,800
Less amount assumed outside City limits for distribution system improvements (25%)	<u>(27,698,499)</u>	<u>(1,323,320)</u>	<u>(6,775,200)</u>
Sub-total	83,095,498	3,969,960	20,325,600
Times pro forma 2012 corporate tax rate (divided by \$100) *	<u>1.2985</u>	<u>1.2985</u>	<u>1.2985</u>
Adjustment	<u>\$1,078,995</u>	<u>\$51,550</u>	<u>\$263,928</u>

* Per Indiana Department of Local Government Finance ("DLGF") 2011 pay 2012.

(Continued on next page)

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL REVENUES**
(Explanation of References)

Adjustment 4

Phases I is based on the pro forma debt service payments on the outstanding and proposed bonds for the bond year ending January 1, 2014. Phase II reflects debt service on the outstanding and proposed bonds for the bond year ending January 1, 2015. Phase III reflects the average annual debt service bond payments on the outstanding and proposed bonds for the five bond years ending January 1, 2020, calculated as follows:

	<u>Pro Forma</u>		
	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
2004 Bonds	\$1,523,144	\$1,528,344	\$2,228,154
2005 Bonds	990,923	994,473	399,800
2008 Bonds	2,469,800	2,462,469	2,354,105
Proposed Bonds *		<u>1,445,712</u>	<u>1,584,724</u>
Totals	<u>\$4,983,867</u>	<u>\$6,430,998</u>	<u>\$6,566,783</u>

* Interest is assumed to be capitalized during the first year to accommodate the phasing in of the proposed rate increase.

Adjustment 5

To provide an allowance for replacements and improvements equal to the pro forma annual depreciation expense, assuming a 2% composite rate. Calculated as follows:

	<u>Capital Assets/ Improvements</u>	<u>Pro Forma Depreciation Allowance (2%)</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Depreciation expense at 12/31/11	\$161,562,323	\$3,231,246	\$3,231,246	\$3,231,246
Plus depreciation on additional capital improvements at 2%:				
CWIP at 12/31/11 (unaudited)	2,274,038		45,481	45,481
Balance of 2008 bond proceeds (unaudited)	3,019,242		60,385	60,385
Proposed projects	27,100,800			542,016
Less allowance for phasing in of rates		<u>(1,231,246)</u>	<u>(837,112)</u>	
Adjustments		<u>\$2,000,000</u>	<u>\$2,500,000</u>	<u>\$3,879,128</u>

Adjustment 6

Interest income normalized based on investment of available fund balances at current interest rates. The construction account funds are not included in the interest rate calculation since those interest earnings are used to fund project costs. Calculated as follows:

	<u>Pro Forma</u>
Balances available to invest (unaudited):	
Consumer meter deposit fund	\$966,906
Proposed debt service reserve	<u>3,125,000</u>
Sub-total	4,091,906
Times current certificate of deposit interest rate	<u>0.65%</u>
Adjustment	<u>\$26,597</u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL REVENUES**
(Explanation of References)

Adjustment 7

See "Calculation of Normalized Annual Operating Revenues" pages 15 to 19.

Adjustment 8

Assumed at test year amount.

Adjustment 9

Normalized operating revenues for Phases I, II and III calculated as follows:

<u>Operating Revenues</u>	<u>12 Months Ended 12/31/2011 (Unaudited)</u>	<u>Normalize*</u>	<u>Sub-totals</u>	<u>19.24% Increase</u>	<u>Phase I Pro Forma</u>
Residential	\$9,165,756	(\$15,714)	\$9,150,042	\$1,759,837	\$10,909,879
Commercial and industrial	6,111,914	(68,794)	6,043,120	1,162,394	7,205,514
Fire protection	2,246,086	(12,795)	2,233,291	429,574	2,662,865
Totals	<u>\$17,523,756</u>	<u>(\$97,303)</u>	<u>\$17,426,453</u>	<u>\$3,351,805</u>	<u>\$20,778,258</u>

* Computed as normalized operating revenues as computed on page 15.

<u>Operating Revenues</u>	<u>Phase I Pro Forma</u>	<u>9.75% Increase</u>	<u>Phase II Pro Forma</u>	<u>7.91% Increase</u>	<u>Phase III Pro Forma</u>
Residential	\$10,909,879	\$1,063,431	\$11,973,310	\$946,426	\$12,919,736
Commercial and industrial	7,205,514	702,538	7,908,052	625,290	8,533,342
Fire protection	2,662,865	259,629	2,922,494	231,082	3,153,576
Totals	<u>\$20,778,258</u>	<u>\$2,025,598</u>	<u>\$22,803,856</u>	<u>\$1,802,798</u>	<u>\$24,606,654</u>

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

(A) Monthly Service Charge

<u>Monthly Service Charge</u>		<u>Proposed</u>			
		<u>Present (1)</u>	<u>Phase I (2)</u>	<u>Phase II (3)</u>	<u>Phase III (4)</u>
<u>Meter Size:</u>					
5/8 - 3/4	inch meter	\$3.22	\$3.84	\$4.21	\$4.54
1	inch meter	3.84	4.58	5.03	5.43
1 1/4	inch meter	4.24	5.06	5.55	5.99
1 1/2	inch meter	4.53	5.40	5.93	6.40
2	inch meter	6.20	7.39	8.11	8.75
3	inch meter	18.82	22.44	24.63	26.58
4	inch meter	23.49	28.01	30.74	33.17
6	inch meter	34.39	41.01	45.01	48.57
8	inch meter	46.84	55.85	61.30	66.15
10	inch meter	60.81	72.51	79.58	85.87

(B) Volume Charge (In addition to monthly service charge)

<u>Consumption per Month</u>					
First	20,000 gallons	\$2.24	\$2.67	\$2.93	\$3.16
Next	280,000 gallons	1.74	2.07	2.27	2.45
Next	700,000 gallons	1.58	1.88	2.06	2.22
Next	2,000,000 gallons	1.39	1.66	1.82	1.96
Over	3,000,000 gallons	1.05	1.25	1.37	1.48

(C) Fire Protection Service

Monthly Surcharge for fire protection

Inside City Limits: (5)

5/8	inch meter	\$1.76	\$2.13	\$2.34	\$2.53
1	inch meter	2.47	3.80	4.17	4.50
1 1/2	inch meter	3.18	6.19	6.79	7.33
2	inch meter	5.11	9.92	10.89	11.75
3	inch meter	19.38	26.44	29.02	31.32
4	inch meter	24.66	37.94	41.64	44.93
6	inch meter	36.99	66.04	72.48	78.21

- (1) Present rates and charges approved by IURC pursuant to Cause No. 43190 on September 26, 2007 and became effective on January 1, 2010.
- (2) Phase I rates and charges represent a 19.24% across-the-board rate increase in present rates and charges effective upon Commission approval.
- (3) Phase II rates and charges represent a 9.75% across-the-board rate increase in Phase I rates and charges effective January 1, 2014.
- (4) Phase III rates and charges represent a 7.91% across-the-board rate increase in Phase II rates and charges effective January 1, 2015.
- (5) The current fire protection charges have been adjusted to accommodate a 1/3rd phase-out of the territorial surcharge, see page 20.

(Continued on next page)

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

(C) Fire Protection Service (Cont'd)

<u>Fire Protection Service (Cont'd)</u>		<u>Proposed</u>			
		<u>Present (1)</u>	<u>Phase I (2)</u>	<u>Phase II (3)</u>	<u>Phase III (4)</u>
<u>Outside City Limits: (5)</u>					
5/8	inch meter	\$3.53	\$3.55	\$3.90	\$4.21
1	inch meter	4.94	5.77	6.33	6.83
1 1/2	inch meter	5.89	8.36	9.18	9.91
2	inch meter	10.23	14.01	15.38	16.60
3	inch meter	38.81	41.95	46.04	49.68
4	inch meter	49.39	57.70	63.33	68.34
6	inch meter	74.09	95.68	105.01	113.32
<u>Private Connections, each per annum:</u>					
1	inch meter	\$2.75	\$3.28	\$3.60	\$3.88
2	inch meter	15.27	18.21	19.99	21.57
3	inch meter	42.23	50.36	55.27	59.64
4	inch meter	86.53	103.18	113.24	122.20
6	inch meter	238.29	284.14	311.84	336.51
8	inch meter	489.29	583.43	640.31	690.96
10	inch meter	851.64	1,015.50	1,114.51	1,202.67
12	inch meter	1,348.19	1,607.58	1,764.32	1,903.88

(D) Non-Recurring Charges

No changes to the non-recurring charges are being requested as part of this Cause.

- (1) Present rates and charges approved by IURC pursuant to Cause No. 43190 on September 26, 2007 and became effective on January 1, 2010.
- (2) Phase I rates and charges represent a 19.24% across-the-board rate increase in present rates and charges effective upon Commission approval.
- (3) Phase II rates and charges represent a 9.75% across-the-board rate increase in Phase I rates and charges effective January 1, 2014.
- (4) Phase III rates and charges represent a 7.91% across-the-board rate increase in Phase II rates and charges effective January 1, 2015.
- (5) The current fire protection charges have been adjusted to accommodate a 1/3rd phase-out of the territorial surcharge, see page 20.

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE WATERWORKS DISTRICT
Evansville, Indiana

UNAUDITED SUPPLEMENTAL FINANCIAL DATA

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

COMPARATIVE STATEMENT OF NET ASSETS

ASSETS	As of December 31,		
	2009	2010	2011
Current Assets:			
Cash and cash equivalents	\$215,663	\$302,923	\$4,218,210
Investments	2,500,000	3,900,000	-
Accounts receivable (net of allowance):			
Customer	1,104,719	1,210,801	1,156,746
Miscellaneous	39,344	51,962	41,561
Interest	94	78	-
Advance for bad checks	-	1,195	16,227
Inventory	-	754,861	747,976
Interfund	369,343	300,131	304,841
Prepays	79,889	6,493	-
Total Current Assets	<u>4,309,052</u>	<u>6,528,444</u>	<u>6,485,561</u>
Non-Current Assets:			
Restricted Assets:			
Bond and interest cash and cash equivalents	2,726,120	3,560,061	3,595,677
Bond and interest investments	187,361	187,361	-
Construction fund cash and cash equivalents	11,750,000	4,823,267	3,019,242
Consumer meter deposits cash and cash equivalents	2,816	7,166	966,906
Consumer meter deposits investments	960,000	960,000	-
Retainage cash and cash equivalents	39,002	-	-
Cash with fiscal agent	467,785	-	-
Interest receivable	-	288	-
Total Restricted Assets	<u>16,133,084</u>	<u>9,538,143</u>	<u>7,581,825</u>
Deferred Debits	<u>1,433,885</u>	<u>1,199,281</u>	<u>1,078,192</u>
Capital Assets:			
Depreciable capital assets	136,804,010	146,718,173	161,562,323
Less accumulated depreciation	<u>(45,410,677)</u>	<u>(48,134,280)</u>	<u>(51,138,476)</u>
Sub-total	91,393,333	98,583,893	110,423,847
Land and improvements to land	387,100	370,150	370,150
Construction work in progress	<u>15,448,008</u>	<u>12,917,072</u>	<u>2,274,038</u>
Net Capital Assets	<u>107,228,441</u>	<u>111,871,115</u>	<u>113,068,035</u>
Total Assets	<u>\$129,104,462</u>	<u>\$129,136,983</u>	<u>\$128,213,613</u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

COMPARATIVE STATEMENT OF NET ASSETS

	<u>As of December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$1,590,859	\$247,548	\$472,935
Taxes payable	93,698	105,571	87,693
Accrued payroll and withholdings payable	169,299	284,485	268,719
Compensated absences	339,848	339,849	329,188
Contracts payable	739,464	84,986	350,736
Retainage payable	467,785	-	63,461
Payable from restricted assets:			
Customer deposits	986,075	998,390	981,223
Accrued interest	1,451,120	1,430,060	1,390,677
Bonds payable - current	<u>1,275,000</u>	<u>2,130,000</u>	<u>2,205,000</u>
Total Current Liabilities	<u>7,113,148</u>	<u>5,620,889</u>	<u>6,149,632</u>
Noncurrent Liabilities:			
Bonds payable	64,270,000	62,140,000	59,935,000
BANs payable	-	-	100,000
Payments in lieu of tax	702,956	702,956	702,956
Unamortized bond premium (discount)	(231,371)	(220,155)	(208,938)
Deferred loss on early retirement	<u>(78,673)</u>	<u>(67,434)</u>	<u>(56,195)</u>
Total Noncurrent Liabilities	<u>64,662,912</u>	<u>62,555,367</u>	<u>60,472,823</u>
Total Liabilities	<u><u>\$71,776,060</u></u>	<u><u>\$68,176,256</u></u>	<u><u>\$66,622,455</u></u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$43,427,370	\$49,087,985	\$52,171,360
Restricted	13,228,104	7,109,693	5,146,464
Unrestricted	<u>672,928</u>	<u>4,763,049</u>	<u>4,273,334</u>
Total Net Assets	<u><u>\$57,328,402</u></u>	<u><u>\$60,960,727</u></u>	<u><u>\$61,591,158</u></u>

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
OTHER CHANGES IN NET ASSETS**

	Calendar Year		
	2009	2010*	2011
Operating Revenues:			
Residential	\$8,390,614	\$9,592,253	\$9,165,756
Commercial and industrial	5,527,559	6,489,691	6,111,914
Fire protection	2,039,026	2,248,098	2,246,086
Forfeited discounts	124,420	138,052	135,446
Other	140,562	154,215	135,216
Sewer utility portion of general expenses	2,596,190	2,465,498	2,700,000
Total Operating Revenues	<u>18,818,371</u>	<u>21,087,807</u>	<u>20,494,418</u>
Operating Expenses:			
Source of supply	176,703	948,491	1,165,411
Treatment	680,387	2,642,230	3,395,119
Transmission and distribution	1,882,203	2,351,327	4,106,590
Customer accounts	1,908,831	3,089,530	3,583,981
Administrative and general	10,542,206	5,206,747	2,705,679
Sub-totals	15,190,330	14,238,325	14,956,780
Depreciation expense	2,683,922	2,935,452	3,221,570
Total Operating Expenses	<u>17,874,252</u>	<u>17,173,777</u>	<u>18,178,350</u>
Net Operating Revenues	<u>944,119</u>	<u>3,914,030</u>	<u>2,316,068</u>
Nonoperating Revenues:			
Interest income	14,853	10,940	454
Other	129,597	75,738	140,715
Totals	<u>144,450</u>	<u>86,678</u>	<u>141,169</u>
Nonoperating Expenses:			
Interest expense	1,256,152	1,214,033	2,528,646
Amortization	205,123	158,140	135,089
Totals	<u>1,461,275</u>	<u>1,372,173</u>	<u>2,663,735</u>
Net Income (Loss) before Contributed Capital	<u>(372,706)</u>	<u>2,628,535</u>	<u>(206,498)</u>
Capital Contributions and (Transfers):			
Contributed Capital	220,548	1,003,789	836,929
Transfer for payment in lieu of property taxes **	(702,956)	-	-
Totals	<u>(482,408)</u>	<u>1,003,789</u>	<u>836,929</u>
Change In Net Assets	(855,114)	3,632,324	630,431
Total Net Assets - Beginning	<u>58,183,516</u>	<u>57,328,402</u>	<u>60,960,727</u>
Total Net Assets - Ending	<u><u>\$57,328,402</u></u>	<u><u>\$60,960,727</u></u>	<u><u>\$61,591,158</u></u>

* On June 1, 2010 the District took back the operations of the Water Utility from the service provider American Water.

** Payment in lieu of property taxes for 2009 were accrued but not paid.

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

COMPARATIVE STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash

	<u>Calendar Year</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Cash flows from operating activities:			
Cash received from customers	\$18,644,957	\$20,969,107	\$20,558,874
Cash paid to suppliers, employees and others	<u>(14,842,477)</u>	<u>(16,055,708)</u>	<u>(14,799,229)</u>
Net cash from operating activities	<u>3,802,480</u>	<u>4,913,399</u>	<u>5,759,645</u>
Cash flows from capital and related financing activities:			
Additions to capital assets	(12,982,709)	(6,743,855)	(4,101,820)
Proceeds from BAN	-	-	100,000
Principal paid on revenue bonds	(1,240,000)	(1,275,000)	(2,130,000)
Interest paid	(2,862,240)	(2,069,364)	(2,884,700)
Contracts paid, bond issuance and rate case costs	18,799	(555,559)	274,206
Contributed capital	220,548	1,003,789	836,929
Retainage accrued/paid	374,823	(467,785)	63,461
Nonoperating revenues	<u>129,597</u>	<u>75,738</u>	<u>140,715</u>
Net cash from capital and related financing activities	<u>(16,341,182)</u>	<u>(10,032,036)</u>	<u>(7,701,209)</u>
Cash flows from investing activities:			
Interest income	<u>455,001</u>	<u>10,668</u>	<u>820</u>
Cash and Temporary Investments:			
(Decrease)	(12,083,701)	(5,107,969)	(1,940,744)
Beginning balance	<u>30,932,448</u>	<u>18,848,747</u>	<u>13,740,778</u>
Ending balance	<u><u>\$18,848,747</u></u>	<u><u>\$13,740,778</u></u>	<u><u>\$11,800,035</u></u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

COMPARATIVE STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash

	Calendar Year		
	2009	2010	2011
Reconciliation of net operating revenues to cash provided from operations:			
Net operating revenues	\$944,119	\$3,914,030	\$2,316,068
Adjustments to reconcile net operating revenue to net cash provided from operating activities:			
Depreciation expense	2,683,922	2,935,452	3,221,570
Change in assets and liabilities:			
Decrease (increase) in:			
Accounts receivable - customer	(171,552)	(106,082)	54,055
Accounts receivable - other	(1,862)	(12,618)	10,401
Advances for bad checks	862	(1,195)	(15,032)
Inventory	-	(754,861)	6,885
Interfund services provided	(109,748)	69,212	(4,710)
Prepaid expenses	(8,020)	73,396	6,493
Customer deposits receivable	62,207	-	-
Increase (decrease) in:			
Accounts payable	342,166	(1,343,311)	225,387
Taxes payable	27,183	11,873	(17,878)
Accrued payroll and withholdings payable	(547)	115,186	(15,766)
Compensated absences payable	114,999	2	(10,661)
Customer deposits	(58,694)	12,315	(17,167)
Deposit on new extension estimates	(21,055)	-	-
Service charge due petitioners	(1,500)	-	-
Net cash provided from operations	<u>\$3,802,480</u>	<u>\$4,913,399</u>	<u>\$5,759,645</u>

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

COMPARATIVE STATEMENT OF DETAILED OPERATING EXPENSES

<u>Operating Expenses</u>	<u>Calendar Year</u>		
	<u>2009</u>	<u>2010*</u>	<u>2011</u>
Source of Supply:			
Salaries and wages	\$176,703	\$185,377	\$297,348
Purchased power	-	739,575	868,063
Repairs and maintenance	-	23,539	-
Sub-totals	<u>176,703</u>	<u>948,491</u>	<u>1,165,411</u>
Source of Supply and Treatment:			
Salaries and wages	390,717	596,944	712,986
Employee benefits	289,670	421,839	497,290
Purchased power	-	248,136	108,247
Repairs and maintenance	-	120,803	87,586
Materials and supplies	-	-	57,035
Contractual services	-	68,628	158,630
Chemicals	-	1,130,683	1,635,590
Lab expense	-	44,294	87,079
Transportation	-	10,903	50,676
Sub-totals	<u>680,387</u>	<u>2,642,230</u>	<u>3,395,119</u>
Transmission and Distribution:			
Salaries and wages	1,263,284	1,360,109	1,452,056
Employee benefits	618,919	722,112	764,993
Purchased power	-	-	339,700
Repairs and maintenance	-	-	968,352
Materials and supplies	-	13,398	279,633
Contractual services	-	25,745	70,774
Transportation	-	229,963	231,082
Sub-totals	<u>1,882,203</u>	<u>2,351,327</u>	<u>4,106,590</u>
Customer Accounts:			
Salaries and wages	1,189,982	1,672,469	1,897,974
Employee benefits	648,585	1,028,073	1,061,495
Bad debt expense	70,264	57,019	68,217
Postage	-	199,304	210,798
Repairs and maintenance	-	34,159	145,689
Materials and supplies	-	1,204	14,451
Contractual services	-	54,432	61,951
Transportation	-	42,870	123,406
Sub-totals	<u>1,908,831</u>	<u>3,089,530</u>	<u>3,583,981</u>
Administrative and General:			
Board member salaries	25,484	20,582	13,117
Administrative & clerical salaries	242,969	284,612	307,478
Engineering salaries	393,604	371,094	371,679
Employee benefits	285,272	222,900	421,840
Office expense	1,746	56,860	46,853
Operations Management Agreement	6,491,660	2,490,109	-
Outside services	2,365,816	806,556	633,375
Controller	45,000	45,000	45,000
Legal	42,481	114,669	118,029
NPDES permit	61,613	61,613	61,394
Insurance	295,791	382,015	312,357
Rent	-	75,783	93,257
Transportation	-	14,268	5,404
Indiana Utility Receipts Tax	218,768	245,343	237,393
Other	72,002	15,343	38,503
Sub-totals	<u>10,542,206</u>	<u>5,206,747</u>	<u>2,705,679</u>
Total Operating Expenses	<u>\$15,190,330</u>	<u>\$14,238,325</u>	<u>\$14,956,780</u>

* On June 1, 2010 the District took back the operations of the Water Utility from the service provider American Water.

(The Accountants' Compilation Report and the accompanying comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

**COMPARISON OF ACCOUNT BALANCES
WITH MINIMUM BALANCES REQUIRED**

<u>Account</u>	<u>Account Balance at 12/31/11*</u>	<u>Minimum Balance Required **</u>	<u>Ref.</u>	<u>Variance</u>
Operating	\$4,218,210	\$1,825,115	(1)	\$2,393,095
Bond and interest	3,595,677	3,595,675	(2)	2
Debt service reserve	-	-	(3)	-
Improvement Fund	-	3,221,570	(4)	(3,221,570)
Customer Deposits	966,906	966,906	(5)	-
Construction Fund	<u>3,019,242</u>	<u>3,019,242</u>	(5)	<u>-</u>
Totals	<u>\$11,800,035</u>	<u>\$12,628,508</u>		<u>(\$828,473)</u>

* Cash and investment balances.

** Per bond resolutions.

(1) A balance sufficient to provide for the payment of current operating expenses.

Pro forma operating expenses	\$15,916,928
Less pro forma purchased power	<u>(1,316,010)</u>
Sub-total	14,600,918
Times factor for 45 days	<u>0.1250</u>
Minimum Balance Required	<u><u>\$1,825,115</u></u>

(Continued on next page)

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

(Cont'd)

**COMPARISON OF ACCOUNT BALANCES
WITH MINIMUM BALANCES REQUIRED**

- (2) The balance of this account should be equal to the accrued monthly transfers of 1/6 of the interest on all outstanding bonds payable on the then next succeeding interest payment date and 1/12th of the principal on all outstanding bonds payable on the then next succeeding principal payment date.

	<u>Amount</u>		<u>Factor</u>		<u>Months</u>		<u>Totals</u>
Principal due 1/1/12:							
2004 Bonds	\$580,000	x	12/12	x	12	=	\$580,000
2005 Bonds	790,000	x	12/12	x	12	=	790,000
2008 Bonds	835,000	x	12/12	x	12	=	835,000
Interest due 1/1/12:							
2004 Bonds	474,447	x	6/6	x	6	=	474,447
2005 Bonds	98,561	x	6/6	x	6	=	98,561
2008 Bonds	817,667	x	6/6	x	6	=	817,667
Minimum Balance Required							<u>\$3,595,675</u>

- (3) The utility has purchased a debt service reserve surety policy to satisfy this requirement for the outstanding bonds.
- (4) No minimum balance required per the bond resolution. Normally a balance equal to one year's depreciation expense is kept on hand as a reserve for unforeseen expenditures and contingencies. The test year depreciation expense was \$3,221,570.
- (5) Balances fully restricted.

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

**SCHEDULE OF AMORTIZATION OF \$21,140,000 PRINCIPAL AMOUNT OF
OUTSTANDING WATERWORKS DISTRICT REVENUE BONDS OF 2004**

Principal payable annually January 1st.

Interest payable semi-annually, January 1st and July 1st.

Interest rates as indicated.

Payment Date	Principal Balance (In thousands)	Principal	Interest Rate(s) (%)	Debt Service		Bond Year Total
				Interest	Total	
				(-----In Dollars-----)		
07/01/12				\$463,571.88	\$463,571.88	
01/01/13	\$21,140	\$600	4.000	463,571.88	1,063,571.88	\$1,527,143.76
07/01/13				451,571.88	451,571.88	
01/01/14	20,540	620	4.000	451,571.88	1,071,571.88	1,523,143.76
07/01/14				439,171.88	439,171.88	
01/01/15	19,920	650	4.000	439,171.88	1,089,171.88	1,528,343.76
07/01/15				426,171.88	426,171.88	
01/01/16	19,270	670	4.000	426,171.88	1,096,171.88	1,522,343.76
07/01/16				412,771.88	412,771.88	
01/01/17	18,600	695	4.000	412,771.88	1,107,771.88	1,520,543.76
07/01/17				398,871.88	398,871.88	
01/01/18	17,905	1,890	4.000	398,871.88	2,288,871.88	2,687,743.76
07/01/18				361,071.88	361,071.88	
01/01/19	16,015	1,980	4.250	361,071.88	2,341,071.88	2,702,143.76
07/01/19				318,996.88	318,996.88	
01/01/20	14,035	2,070	4.500	318,996.88	2,388,996.88	2,707,993.76
07/01/20				272,421.88	272,421.88	
01/01/21	11,965	2,170	4.500	272,421.88	2,442,421.88	2,714,843.76
07/01/21				223,596.88	223,596.88	
01/01/22	9,795	2,275	4.500	223,596.88	2,498,596.88	2,722,193.76
07/01/22				172,409.38	172,409.38	
01/01/23	7,520	2,385	4.500	172,409.38	2,557,409.38	2,729,818.76
07/01/23				118,746.88	118,746.88	
01/01/24	5,135	2,505	4.625	118,746.88	2,623,746.88	2,742,493.76
07/01/24				60,818.75	60,818.75	
01/01/25	2,630	2,630	4.625	60,818.75	2,690,818.75	2,751,637.50
Totals		<u>\$21,140</u>		<u>\$8,240,387.62</u>	<u>\$29,380,387.62</u>	<u>\$29,380,387.62</u>

(The Accountants' Compilation Report and the accompanying
comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

**SCHEDULE OF AMORTIZATION OF \$4,435,000 PRINCIPAL AMOUNT OF
OUTSTANDING WATERWORKS DISTRICT REFUNDING BONDS OF 2005**

Principal payable annually January 1st.

Interest payable semi-annually, January 1st and July 1st.

Interest rates as indicated.

Payment Date	Principal Balance (In thousands)	Principal	Interest Rate(s) (%)	Debt Service		Bond Year Total
				Interest	Total	
				(-----In Dollars-----)		
07/01/12				\$85,131.25	\$85,131.25	
01/01/13	\$4,435	\$815	3.60	85,131.25	900,131.25	\$985,262.50
07/01/13				70,461.25	70,461.25	
01/01/14	3,620	850	3.70	70,461.25	920,461.25	990,922.50
07/01/14				54,736.25	54,736.25	
01/01/15	2,770	885	3.85	54,736.25	939,736.25	994,472.50
07/01/15				37,700.00	37,700.00	
01/01/16	1,885	920	4.00	37,700.00	957,700.00	995,400.00
07/01/16				19,300.00	19,300.00	
01/01/17	965	965	4.00	19,300.00	984,300.00	1,003,600.00
Totals		<u>\$4,435</u>		<u>\$534,657.50</u>	<u>\$4,969,657.50</u>	<u>\$4,969,657.50</u>

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EVANSVILLE (INDIANA) WATERWORKS DISTRICT

**SCHEDULE OF AMORTIZATION OF \$34,360,000 PRINCIPAL AMOUNT OF
OUTSTANDING WATERWORKS DISTRICT BONDS, SERIES 2008**

Principal payable annually January 1st.

Interest payable semi-annually January 1st and July 1st.

Interest rates as indicated.

Payment Date	Principal Balance	Principal	Interest Rate(s)	Debt Service		Bond Year
				Interest	Total	Total
	(In thousands)			(%)	(-----In Dollars-----)	
07/01/12				\$800,446.88	\$800,446.88	
01/01/13	\$34,360	\$875	4.125	800,446.88	1,675,446.88	\$2,475,893.76
07/01/13				782,400.00	782,400.00	
01/01/14	33,485	905	4.125	782,400.00	1,687,400.00	2,469,800.00
07/01/14				763,734.38	763,734.38	
01/01/15	32,580	935	4.125	763,734.38	1,698,734.38	2,462,468.76
07/01/15				744,450.00	744,450.00	
01/01/16	31,645	975	4.125	744,450.00	1,719,450.00	2,463,900.00
07/01/16				724,340.63	724,340.63	
01/01/17	30,670	1,010	4.250	724,340.63	1,734,340.63	2,458,681.26
07/01/17				702,878.13	702,878.13	
01/01/18	29,660	890	4.250	702,878.13	1,592,878.13	2,295,756.26
07/01/18				683,965.63	683,965.63	
01/01/19	28,770	910	4.250	683,965.63	1,593,965.63	2,277,931.26
07/01/19				664,628.13	664,628.13	
01/01/20	27,860	945	4.250	664,628.13	1,609,628.13	2,274,256.26
07/01/20				644,546.88	644,546.88	
01/01/21	26,915	980	4.250	644,546.88	1,624,546.88	2,269,093.76
07/01/21				623,721.88	623,721.88	
01/01/22	25,935	1,015	4.500	623,721.88	1,638,721.88	2,262,443.76
07/01/22				600,884.38	600,884.38	
01/01/23	24,920	1,050	4.625	600,884.38	1,650,884.38	2,251,768.76
07/01/23				576,603.13	576,603.13	
01/01/24	23,870	1,085	4.625	576,603.13	1,661,603.13	2,238,206.26
07/01/24				551,512.50	551,512.50	
01/01/25	22,785	1,130	4.625	551,512.50	1,681,512.50	2,233,025.00
07/01/25				525,381.25	525,381.25	
01/01/26	21,655	3,935	4.750	525,381.25	4,460,381.25	4,985,762.50
07/01/26				431,925.00	431,925.00	
01/01/27	17,720	4,120	4.875	431,925.00	4,551,925.00	4,983,850.00
07/01/27				331,500.00	331,500.00	
01/01/28	13,600	4,315	4.875	331,500.00	4,646,500.00	4,978,000.00
07/01/28				226,321.88	226,321.88	
01/01/29	9,285	4,530	4.875	226,321.88	4,756,321.88	4,982,643.76
07/01/29				115,903.13	115,903.13	
01/01/30	4,755	4,755	4.875	115,903.13	4,870,903.13	4,986,806.26
Totals		\$34,360		\$20,990,287.62	\$55,350,287.62	\$55,350,287.62

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comments are an integral part of this statement.)

EVANSVILLE (INDIANA) WATERWORKS DISTRICT

SCHEDULE OF COMBINED BOND AMORTIZATION

<u>Payment Date</u>	<u>2004 Bonds</u>	<u>2005 Bonds</u>	<u>2008 Bonds</u>	<u>Total</u>	<u>Bond Year Total</u>
07/01/12	\$463,571.88	\$85,131.25	\$800,446.88	\$1,349,150.01	
01/01/13	1,063,571.88	900,131.25	1,675,446.88	3,639,150.01	\$4,988,300.02
07/01/13	451,571.88	70,461.25	782,400.00	1,304,433.13	
01/01/14	1,071,571.88	920,461.25	1,687,400.00	3,679,433.13	4,983,866.26
07/01/14	439,171.88	54,736.25	763,734.38	1,257,642.51	
01/01/15	1,089,171.88	939,736.25	1,698,734.38	3,727,642.51	4,985,285.02
07/01/15	426,171.88	37,700.00	744,450.00	1,208,321.88	
01/01/16	1,096,171.88	957,700.00	1,719,450.00	3,773,321.88	4,981,643.76
07/01/16	412,771.88	19,300.00	724,340.63	1,156,412.51	
01/01/17	1,107,771.88	984,300.00	1,734,340.63	3,826,412.51	4,982,825.02
07/01/17	398,871.88		702,878.13	1,101,750.01	
01/01/18	2,288,871.88		1,592,878.13	3,881,750.01	4,983,500.02
07/01/18	361,071.88		683,965.63	1,045,037.51	
01/01/19	2,341,071.88		1,593,965.63	3,935,037.51	4,980,075.02
07/01/19	318,996.88		664,628.13	983,625.01	
01/01/20	2,388,996.88		1,609,628.13	3,998,625.01	4,982,250.02
07/01/20	272,421.88		644,546.88	916,968.76	
01/01/21	2,442,421.88		1,624,546.88	4,066,968.76	4,983,937.52
07/01/21	223,596.88		623,721.88	847,318.76	
01/01/22	2,498,596.88		1,638,721.88	4,137,318.76	4,984,637.52
07/01/22	172,409.38		600,884.38	773,293.76	
01/01/23	2,557,409.38		1,650,884.38	4,208,293.76	4,981,587.52
07/01/23	118,746.88		576,603.13	695,350.01	
01/01/24	2,623,746.88		1,661,603.13	4,285,350.01	4,980,700.02
07/01/24	60,818.75		551,512.50	612,331.25	
01/01/25	2,690,818.75		1,681,512.50	4,372,331.25	4,984,662.50
07/01/25			525,381.25	525,381.25	
01/01/26			4,460,381.25	4,460,381.25	4,985,762.50
07/01/26			431,925.00	431,925.00	
01/01/27			4,551,925.00	4,551,925.00	4,983,850.00
07/01/27			331,500.00	331,500.00	
01/01/28			4,646,500.00	4,646,500.00	4,978,000.00
07/01/28			226,321.88	226,321.88	
01/01/29			4,756,321.88	4,756,321.88	4,982,643.76
07/01/29			115,903.13	115,903.13	
01/01/30			4,870,903.13	4,870,903.13	4,986,806.26
Totals	<u>\$29,380,387.62</u>	<u>\$4,969,657.50</u>	<u>\$55,350,287.62</u>	<u>\$89,700,332.74</u>	<u>\$89,700,332.74</u>

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